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FINANCIAL TIMES

Europe's Business Newspaper

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Eurofighter costs jump 50% over initial estimates

The cost of Eurofighter, the ambitious pan-European defence project, has jumped by more than 50 per cent from original estimates when development of the four-nation aircraft was launched five years ago, according to confidential official figures.

The programme is now expected to cost as much as £23bn (\$49bn) at today's prices. In 1988, the joint venture partners estimated it would cost £21bn. Page 14, *Background*, Page 4

Looking to higher taxes: Edouard Balladur, the French prime minister, will today put his stamp on economic policy with a budget aimed at stemming the rising budget deficit by raising taxes. He will also seek to boost the stalled economy through public works spending. Page 14

Russian bills: The Russian authorities plan to press ahead with their often-postponed first Treasury bill issue on May 18. Page 17

Gaddafi puts case for mass tourism: Colonel Muammar Gaddafi (left), has suggested that Libya should encourage mass tourism to the country, make the Libyan dinar convertible and attract new foreign investment.

The Libyan leader's ideas, put forward in a weekend speech, are unlikely to be translated immediately into practical steps but represent further advocacy by him of moves to liberalise the country's state-dominated economy. Page 6

Pope praises anti-Mafia judges: Thousands of Sicilians cheered when Pope John Paul paid homage to judges and prosecutors who tried to clamp down on the Mafia. Page 3

EC looks east: Proposals to accelerate the political and economic integration of six former communist countries into the EC will be examined by EC foreign ministers today. Page 2

Key MDTV meetings: EC telecommunications ministers will today get their best and possibly their last chance to persuade Britain to agree a strategy for the development of wide-screen, high-quality television in Europe. Page 3

Minister quotes Aryeh Dari: Israel's interior minister and head of the ultra-religious Shas party – one of three partners in the Labour-led coalition of prime minister Yitzhak Rabin – submitted his resignation to the cabinet. Page 6

Generali: Italy's biggest insurance company, is planning a complex capital-raising deal for its Allianz life insurance unit. It also announced slightly higher profits for 1992 after two years of profit falls. Page 15

European Monetary System: The foreign exchange market's focus will be on the Danish krone this week. The currency weakened on Friday, amid fears that Denmark could vote "No" in next Tuesday's referendum on the Maastricht treaty. The currency is now firmly at the bottom of the grid, some 2 percentage points below the strongest currency, the Irish punt. The Dutch guilder remains some 35 basis points above the D-Mark in the grid. This is still close to the Dutch central bank's self-imposed limit of 50 basis points, despite Friday's cut in money market rates. Currencies. Page 27; *Danish treaty doubts*, Page 4

EMS: Grid: The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Indian Airlines: Troubled state-owned Indian carrier, has been thrown into confusion by the sudden resignation at the weekend of Mr L. Vasdev, chairman and managing director. Page 17

Plot to be probe US: Investigators are seeking more evidence on whether Iraq was behind a plot to assassinate former President George Bush on a visit to Kuwait last month. Page 6

Backing expected: IG Metall, Germany's powerful engineering union, is confident it will receive support for further strike action when it holds fresh ballots in three of the remaining eastern states today. Page 14

Share swap: Peter Wood, Royal Bank of Scotland director who is likely to earn more than £10m (\$15.7m) this year from its Direct Line insurance operation, is considering offering to swap his pay bonus contract for bank equity. Page 15

Fatal manoeuvre: Seventeen people died when an aircraft crashed into a crowd in the Russian city of Nizhny Tagil during an aerobatic stunt.

As Mr Major prepared for a

secretary for the Christian Democrat party, brings to a head a simmering conflict between the judiciary and the legislature.

It came as Mr Mario Segni, leader of the country's referendum movement, threw the discredited party political framework into further disarray by announcing the creation of a new party to contest general elections expected later this year.

At the same time Mr Giuliano Amato, until last month the

Socialist prime minister, suggested the creation of a new centre-left group which could embrace former Socialists and members of other centre parties.

The move also came amid new leaks and allegations in the corruption investigations.

Last month the chamber of deputies, the lower house of parliament, authorised the lifting of Mr Craxi's immunity on only two of the six requests made by Milan magistrates. The two requests

concerned illegal funding of political parties and alleged corruption in Rome, the least serious of the six issues under examination.

A month earlier the senate, the upper house of parliament, voted similarly in relation to Mr Citaristi, whose immunity was lifted only on the least serious of magistrates' requests.

Milan magistrates will appeal against both decisions to the Constitutional Court, taking the corruption investigation into

largely uncharted constitutional territory.

The magistrates, who believe Mr Craxi could be indicted within two months on the allegations on which investigations have been authorised, argue that parliament exceeded its rights in rejecting the other requests.

The corruption investigations, meanwhile, produced leaked testimony from Mr Antonio Mosca, a senior Fiat group executive detained earlier this year,

according to which Mr Cesare Romiti, Fiat's chief executive, was allegedly aware of payments to politicians through foreign bank accounts well before the date previously indicated.

The report, in the national news magazine *Panorama*, came just two days before a meeting of Fiat's board of directors, which is now expected to discuss a new company code of business ethics.

Segni's new party, Page 3

Italian magistrates to oppose parliament on immunity

By Haig Simonian in Milan

ITALIAN magistrates investigating alleged political corruption are to fight the Rome parliament's decision not to lift the immunity of two of the most senior politicians implicated in the widening scandal.

The move to challenge parliament over the immunity of Mr Bettino Craxi, the former Socialist leader, and Mr Seviero Citaristi, former administrative secre-

Bosnian ceasefire eases pressure for western action

By Laura Silber in Belgrade, Lionel Barber in Brussels and George Graham in Washington

A FRESH ceasefire between Serb and Muslim-led forces came into force yesterday throughout Bosnia, easing pressure for early western military intervention.

Calls for western action had become more persistent in the aftermath of the rejection by Bosnian Serb leaders of an international peace plan.

The ceasefire appeared largely to hold for the first few hours. Bosnian president Alija Izetbegovic alluded to sniping and some shelling in the capital, Sarajevo, and what he said was sporadic shooting elsewhere.

General Philippe Morillon, commander of United Nations forces in the former Yugoslav republic, said the ceasefire

had been agreed to by Bosnian Serbs and their former Croat allies, who were not involved in the weekend ceasefire deal, in several towns in central Bosnia, blocking a key route for humanitarian aid. In the southwestern city of Mostar, UN peacekeeping officials said Croat-Serb fighting started large fires.

Fierce fighting erupted between Muslim forces and their former Croat allies, who were not involved in the weekend ceasefire deal, in several towns in central Bosnia, blocking a key route for humanitarian aid. In the southwestern city of Mostar, UN peacekeeping officials said Croat-Serb fighting started large fires.

However, UN monitors who arrived in Zepa – an enclave in eastern Bosnia where 30,000 Muslims are believed to be trapped by Serbs and which the Security Council has declared a "safe area" – reported no fighting in all but humanitarian supplies to the Bosnian Serbs.

The ceasefire was signed by Bosnian Serb army general Ratko Mladic and Muslim commander Sefer Halilovic at Sarajevo airport on Saturday. It declares the besieged strongholds of Zepa and Srebrenica "demilitarised zones" which will be policed by UN monitors. It also calls for the withdrawal of weapons and combatants from the enclaves.

Lord Owen, the European Community mediator, said yesterday that the latest truce may have averted the possibility of rash military intervention against Serb military targets in Bosnia.

"Had the truce not taken effect and the UN not been able to declare the towns of Zepa and Srebrenica as safe areas, Clinton might have had to act," he told Britain's *Independent* Television News.

Previous ceasefires have collapsed almost immediately.

EC foreign ministers are expected today to use the ceasefire to continue resistance to US pressure for military action against the Bosnian Serbs.

Despite signs of a more robust attitude among German, Belgian and Italian delegations, majority sentiment led by France and the UK is leaning towards a "wait and see" approach.

In particular, the EC ministers meeting in Brussels want to see if the ceasefire will hold in the light of Serbian president Slobodan Milosevic's decision to cut off all but humanitarian supplies to the Bosnian Serbs.

Tired Belgrade stands behind Milosevic, Page 2

Move will create new problems for administrators

Nadir seeks to salvage business empire

By John Murray-Brown in Kyrenia and Robert Rice in London

MR ASIL NADIR, the former chairman of Polly Peck International who jumped bail last Tuesday to return to his native northern Cyprus, says he plans to fly to Turkey to reclaim the remnants of his business empire.

Mr Nadir told reporters over the weekend he would go to the Turkish mainland "sooner than you think". This would create new difficulties for Polly Peck administrators attempting to recover assets. Mr Nadir appears to be planning court action to regain control of his various Turkish business interests.

Such a move could also place strains on Britain's diplomatic relationship with Turkey, as the UK government continues to apply pressure for Mr Nadir's return from northern Cyprus.

Administrators of Polly Peck at accountants Coopers & Lybrand confirmed that Mr Nadir's flight to northern Cyprus had delayed two disposals of group companies worth \$36m after Turkish and Cypriot buyers pulled out because of uncertainty surrounding his intentions.

Mr Michael Jordan, a joint administrator, flew to Istanbul on

Continued on Page 14
Creditors await report, Page 7
Observer, Page 13



Asil Nadir, the founder of Polly Peck International, leaving his villa in northern Cyprus yesterday

British ruling party faces disarray after poll defeats

By Philip Stephens and Ralph Atkins in London

DISARRAY IN Britain's ruling Conservative party last night threatened to spill over into the cabinet as close associates of Mr John Major, the prime minister, echoed calls from Tory MPs seeking the dismissal of Mr Norman Lamont, chancellor of the exchequer.

Humiliating defeats last week in local elections and the loss of a previously safe parliamentary seat at Newbury, western England, brought conflicting demands on the prime minister from cabinet ministers on how the government should restore its political authority.

Some suggested Mr Major must revamp his political agenda but others dismissed calls for a significant change of direction, although Mr Lamont's cabinet allies insisted that he must not be made a "scapegoat" for the resentment in the country over the recession.

But some of the most influential figures in the government were arguing strongly that Mr Major would not be able to restore his political authority unless he reshuffled his cabinet and installed a new chancellor.

"We need a [cabinet] reconstruction, a fresh start," one commented last night.

As Mr Major prepared for a

detailed review this morning on the causes of the election defeats, the associates suggested that he could not afford to delay such a reshuffle beyond the summer.

Despite the reluctance of senior colleagues to blame Mr Lamont it was clear last night that those who believe he should stay on are in a minority in the cabinet.

Mr Kenneth Clarke, home secretary, acknowledged on BBC radio that the government was "in a dreadful hole". On the centre-left, pro-European wing of the Conservative party, Mr Clarke said the government needed to get across "our view of this country in Europe" and to set tackling crime as a high priority. He regretted the "parliamentary tangle" over Maastricht and Britain's exit from the European exchange rate mechanism.

In contrast, Mr Michael Portillo, chief secretary to the Treasury, stressed in a BBC television interview the priorities of the Tory right: "Sound money which means controlling inflation... sound public finances, which means the government not living beyond its means, and controlling the size of the state."

Mr Portillo said Mr Lamont had done an "outstandingly good job... every time he goes to the House of Commons he receives a tremendous vote of confidence."

The prime minister is expected to be told today that he needs to

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NEWS: INTERNATIONAL

US irritation grows over Europe's Bosnian stance

By George Graham in Washington

AFTER a week of intensive discussions between Mr Warren Christopher, US secretary of state, and European governments, the Clinton administration appears to have little nearer a decision on what to do in Bosnia-Herzegovina.

On Friday, after meeting leaders of the European Community in Washington, President Bill Clinton was at pains to argue that there remained no more than "some disagreement around the edges" between the US and Europe over the conflict.

But some administration officials appear frustrated by what they see as a willingness in European capitals to delay taking action against Bosnian Serbs. This is coupled with irritation at Europe's perceived ambivalence over US leadership. European governments want Mr Clinton to take the lead, but they do not like the direction he wants to lead them in.

Senator Richard Lugar, the senior

Republican on the Senate foreign relations committee, said: "They may prefer that Serbia simply finishes the war, end the war out there, and that it not be extended by rearming the Bosnians. I think we have a different view and our view, I believe, must prevail."

Ambivalence, however, is just as widespread in Washington as in London or Paris. Congress is deeply split over the issue and a long way from embracing even limited US military involvement, such as air strikes, and opinion is split within the administration.

"It appears to me the president is as confused as we are," said Senator Howard Metzenbaum, a Democrat from Ohio.

Although Mr Clinton appears determined to act, he shows signs of ambivalence that Bosnia is distracting him from his promise to "focus on the economy like a laser beam". He would evidently prefer some swift and limited action that would permit him to return his attention to domestic issues.

Mr Clinton said on Friday that if he

were to ask for congressional approval for the use of air power in Bosnia, he would lay out "very clear tactical objectives" which would have "a beginning, a middle and an end".

Beyond the general promise that the US will not be sucked into an endless engagement, as it was in Vietnam, Washington takes this to mean a short US air campaign intended to freeze the conflict until Bosnian Moslems can be given heavy weapons to defend themselves.

The use of US ground troops remains, however, ruled out - although there is some lingering embarrassment in Washington that this refusal is hard to justify if Serbian actions do, in fact, represent a genocide comparable to that of Nazi Germany.

While some members of Congress are now beginning to consider troop deployments, although they are still heavily outnumbered, popular opinion remains strongly opposed not only to the use of ground troops but also to air strikes.



Christopher: held intensive talks

Old guard gathers to praise God and Stalin

A DEMONSTRATION by 30,000-40,000 nationalists and communists in central Moscow yesterday was anti-climactic, peaceful compared with the May Day gathering of 5,000 in Gagarin Square, where one person was killed and some 500 injured.

Lieutenant Colonel Stanislav Terekhov, leader of the Union of Officers, had agreed with the Moscow City council that the march on the anniversary of the defeat of Nazi Germany would be peaceful, and it was.

It was even moving, as old soldiers, medals tinkling, stepped down the broad streets while patriotic hymns belted out.

Symbols which have been at conflict for decades were much in evidence. Orthodox crosses, Russian imperial flags and the hammer and sickle all vied for attention. On the front of the rocket transporter carrying some of the main representatives in the parade were two portraits of Stalin and, on the side, an icon of the Virgin.

In Triumfalnaya Square, Col Terekhov introduced a bevy of speakers, whose normal garrulity was strictly controlled. The nationalists and communists pose no great threat to President Boris Yeltsin, but yesterday they delivered a string of nationalist-Stalinist obsequies to the Soviet Union, to God and to the victory won under Stalin.

A grizzled elderly woman, backing the rejection by the Bosnian Serb assembly, mutters how the three ethnic groups will never again be able to live together in Bosnia.

But Toma disagrees. "More sanctions will make it impossible for us to survive."

the Kremlin but they will soon be on the road to Smolensk."

General Albert Makashov, the Stalinist who challenged Mr Yeltsin for the presidency two years ago, claimed Russia was a holy land. He ended his speech by seizing a old priest who was blessing everyone, kissing him three times on the cheeks - to his obvious surprise - and shouting "Hurrah".

In two incidents the anti-semitism displayed on many of the signs was brought to life. In one, two elderly men commented with approval on

dozen western photographers were snapping the image of impoverished contemporary Russia, and giving him more money than he would normally clear in a month.

Some communists, seeing this, came over and began nudging the beggar with their feet and chasing away the photographers. One man, seeing me taking notes, came over and yelled: "Make sure you write that all the Jews should end up in Sbit' Yar" - site of the mass grave in Kiev where a large number of the city's Jews were thrown after being shot in 1942.

A former officer came up, expressed disapproval of his comrade and said: "That's not necessary. We were together in the war." And now? "Now things are pretty rough. But still, we have a lot of nationalities here who lived well together in the Soviet days."

One bearing the pictures of Stalin and the Jew-baiting banners bobbing about in Red Square looked for a call to arms, and, hearing none, dispersed into groups of passionate argument.

Before the Bolshoi Theatre across the way Mrs Anna Lichinskaya held a picture of a young man the wording below it said that this was her father, Vladimir, missing from the front from November 1942. "If anyone has information, please address themselves to his daughter."

She had been coming here, she said, for 40 years.

John Lloyd on celebrations marking the Soviet defeat of Germany

plaques calling for the "cleansing" of Jews from the media.

A woman in her 70s, a row of medals on her chest, turned and said loudly: "We all don't need this. We are all together at the front - Russians, Jews, Georgians, Ukrainians. It's true some Jews shout too much now but they fought fascism." The old man said no more.

The second was nastier. In Red Square - to which the demonstration ultimately marched - a beggar was kneeling on the cobbles, his hand out. In front of him half a

US adopts softer Ukraine line

AFTER months of trying to strong-arm Ukraine into surrendering its nuclear missiles, the US appears to be taking a softer line, writes Chrystia Freeland in Kiev. The new approach will be unveiled today when Mr Strobe Talbott, Washington's leading policy maker on the former Soviet Union, holds a series of meetings with senior Ukrainian officials and MPs.

He will not, however, be meeting either Ukraine's president or its prime minister, a sign of the current coolness in relations with the US.

Mr Talbott said he would like to shift the US-Ukrainian relationship from its focus on

nuclear weapons to a wider range of issues.

"It is important not to be a one-note Johnny. What we want to do is engage the Ukrainian government in a dialogue about the relationship in all of its aspects, rather than just dwelling on one subject, important as that subject may be."

Mr Talbott also emphasized that the US "wants to develop a relationship with Ukraine in its own right," separate from that with Russia.

US relations have deteriorated over the past few months as Washington pressed Kiev to fulfil its earlier pledge to become a non-nuclear state.

Brussels sounds out plans for E Europe

FAR-REACHING proposals to accelerate the political and economic integration of six former communist countries into the EC are to receive a first hearing among EC foreign ministers today, writes Lionel Barber in Brussels.

The meeting in Brussels is likely to show whether the European Commission's plans for improved, across-the-board access for east European products can win endorsement at next month's EC summit in Copenhagen. Proposals for free trade with Russia are also on the agenda.

The UK, Germany and Denmark are fully behind the Commission's bolder than expected approach toward the east Europeans, but Spain and Portugal

are calling for prudence.

Today's meeting is also expected to include calls for recalcitrant EC member states to ratify the European Agreements offering trade liberalisation to Poland, Hungary, the Czech Republic, Slovakia, Romania and Bulgaria.

The agreements have been in effect for more than a year for Poland and Hungary, but have been ratified only by the UK, Ireland, Denmark, Luxembourg and Spain. Free-trading Germany has delayed; it is expected to ratify along with the Netherlands, Greece and Italy by August. France has legal problems, Portugal has translation difficulties, and Belgium has "internal procedural problems".

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BECAUSE THE GAME HAS CHANGED.

Segni announces a new political party

By Hal Simonian in Milan



Segni: fights poll this year

MR Mario Segni, the leader of Italy's referendum movement, threw the country's party political framework into disarray at the weekend after announcing the creation of a new party to contest general elections expected later this year.

Mr Segni left the Christian Democrat earlier this year in protest at their inability to reform and distance themselves from members facing allegations of political corruption and links with organised crime.

Since then, Alleanza Democratica (Democratic Alliance), the loose political grouping formed around Mr Segni earlier this year, has coalesced amid signs it could present a serious threat to the Christian Democrats, and possibly other centre-right parties, at the polls.

In an interview with *La Stampa*, the Turin newspaper, Mr Segni's move came a day after Mr Segni's move came a day. Mr Segni suggested the cre-

ation of a new centre-left group which could embrace former Socialists and members of other centre parties.

The signs that Mr Amato had reconsidered his decision to leave politics after 10 months as Italy's prime minister were welcomed by a number of politicians.

Mr Amato, believed to have turned down the Foreign Ministry in the new government of Prime Minister Carlo Azeglio Ciampi, was widely praised for steering the country through one of the most difficult post-war periods.

Mr Segni and Mr Amato's statements triggered immediate reactions from the Christian Democrat and the Socialist leaderships. Mr Mino Martinazzoli, Christian Democrat leader, poured scorn on the Democratic Alliance, while expressing hopes that Mr Segni might return to the fold.

The new alliance was no

more than "a cylinder into which everyone wants to put something", said Mr Martinazzoli. "I don't agree with Segni when he says that innovation means getting rid of the Christian Democrats."

Separately, Mr Giorgio Benvenuto, Socialist leader, made clear his readiness to offer Mr Amato a senior party position. The Socialists have been rocked by the departure of a number of senior figures recently in protest at the support of many MPs for Mr Bettino Craxi, their former leader. Meanwhile, the Lega Nord, the regional autonomist grouping headed by Mr Umberto Bossi, confirmed it would change its name in an attempt to broaden its electoral base and shake off its lingering racist image.

The party will call itself the "Italian Federal League" in central and southern Italy, while retaining its "Lega



Amato: widely praised

last year's general elections.

Attention has focused in particular on Milan and a few other big cities, where a new law on the direct election of mayors will be put to the test.

The mayoral race in Milan, a former Socialist stronghold, has attracted 12 candidates. However, in a measure of the demise of a party whose word once held sway in the city, Mr Pietro Borghini, Milan's former mayor, made clear at the weekend his preference not to have formal support from the Socialists for his candidature.

Mr Borghini, mayor until the city council collapsed earlier this year, was a Communist party member before being appointed mayor as an independent with Socialist backing. Milan has been run by a senior civil servant from the Interior Ministry, pending new elections, after local politicians failed to agree on a new city council.

Pope denounces Mafia actions

THOUSANDS of Sicilians cheered yesterday when Pope John Paul paid homage to judges and prosecutors who tried to clamp down on the Mafia, AF reports from Agrigento, Sicily.

"During this latest visit in Sicily, I can't help but recall, with particular emotion, those who, in affirming the ideals of justice and law, paid for their commitment to the struggle against the violent forces of evil with the sacrifice of their lives," John Paul told a crowd outside Agrigento's cathedral.

Barely a decade ago, hardly any one in Sicily, let alone a pope, dared denounce the Cosa Nostra openly. But in the 10 years since John Paul II became the first modern pontiff to come to the island, seeds of protest have taken root. The pope later met the par-

ents of Judge Rosario Livatino, gunned down on a highway outside Agrigento in 1990. The Mafia allegedly ordered the judge's slaying after he refused to let the Mafia sway him in issuing a sentence.

The killings of prosecutors Giovanni Falcone and Paolo Borsellino - Italy's leading Mafia investigators - fueled anger against the Cosa Nostra across the island. They were the latest in a long series of prosecutors, judges, police, journalists and politicians murdered by the mob. "They are martyrs of justice, indirectly of the faith," said the pope.

Mafia bosses in Agrigento are considered second in power only to the Palermo families and the Corleone mobsters under recently captured "boss of bosses" Salvatore "Totò" Riina.

EC telecoms ministers to press UK on HDTV

By Andrew Hill in Brussels

EC telecommunications ministers will today get their best and possibly their last chance to persuade Britain to agree a strategy for the development of wide-screen, high-quality television in Europe.

Denmark, which holds the EC presidency, has indicated it will do its utmost to get unanimous agreement on plans to promote European high-definition television (HDTV) at today's meeting in Brussels.

But the UK, which has blocked all previous compromises over the last 18 months, is still reluctant to commit itself to new Danish proposals, even though they go further than ever towards meeting British demands.

In particular, British officials say that Mr Edward Leigh, the hardline UK telecoms minister, will not discuss funding for a new strategy until the substance has been agreed.

"If the Danes begin with a discussion on money, it will be a very short meeting," warned one official on Friday.

If the UK continues to veto a deal then other member states may finally have to abandon their ambitions for development of European HDTV, based on a central action plan and EC funding for broadcasters and programme-makers.

That would cause a political

The UK is still reluctant to commit itself to new proposals from Denmark

storm because of the amount of time and public money which has already been ploughed into advanced television equipment and programmes in anticipation of continuing EC support.

Mr Michel Carpenter, head of the European Commission's telecommunications directorate for the past 10 years and a firm advocate of HDTV, warned last week that today's meeting was "all or nothing".

For a five-year plan, originally set at Ecu850m (5871m) by the Commission, would be substantially reduced, although advocates of HDTV are unlikely to settle for less than Ecu200m over five years.

The Danes are focusing on the development of a wide-screen format, not tied to particular standards, and invite the Commission to come up with new proposals to accelerate the development of digital HDTV standards, which Britain argues will soon supersede the original EC norms.

Lifting the lid, Leader page

TV single market still far off



For the European consumer electronics industry, the single market is taking time to arrive, write Alan Cane and Michiyo Nakamoto.

Mr Gerard Nauwelaerts, secretary general of the European Association of Consumer Electronics Manufacturers, summed up the gap between aspiration and reality. The single market, he says, "has not happened because the consensus and co-operation process is still much too slow, and the consultation system is very costly".

Does Europe need a Community-wide communications agency to set and promote electronics standards along the lines of the US Federal Communications Commission? In an ideal world, the answer would be yes.

Europe, however, already has a number of standards-setting bodies in the forms of the European Telecommunications Standards Institute (Etsi), the Comité Européen de Normalisation (Cen) and the Comité Européen de Normalisation

varying patterns of distribution and purchasing.

European consumers have not benefited from the cross-border price competition the single market was designed to bring about. As a result, they are at a disadvantage compared with people in the US. Prices diverge widely from country to country and in some markets touch on the exorbitant.

European consumers are at a disadvantage compared with those in the US

"You may never be able to talk of Europe as a single market as far as TVs go," says Ms Iris Merker, consumer electronics representative for Philips, the Dutch manufacturer which has the largest share of the European market.

The diversity of standards is a headache for local manufacturers. There are two main television standards in Europe, PAL and SECAM. But a plethora of variations makes it nec-

essary for manufacturers to produce several different versions of each model.

Philips says it currently makes over 400 versions of several different models of televisions to meet the different standards and requirements for each EC country.

For example, it produces 90 different types of a particular high-end model with stereo sound to meet different requirements in EC markets.

In addition, safety and environmental regulations and bureaucratic paperwork differ from country to country.

The result is that manufacturers of TVs and VCRs must operate several different production lines and employ specialist staff able to handle legal and social matters for different countries.

The manufacturers hoped Europe's HDTV programme would offer a way through the EC standards morass. The Community's failure to agree Ecu500m (£385m) of HDTV funding dented this optimism, however, and ministers now have to recognise that the plan to harmonise standards is still a very long way from bearing fruit.

Demirel fails in first ballot

TURKEY'S parliament failed at the weekend to elect a new president in the first ballot when Mr Suleyman Demirel, the front-runner, did not win the two-thirds majority required, our foreign staff and Reuter report.

Prime Minister Demirel, tipped as the most likely candidate to replace Mr Turgut Ozal, who died of heart failure last month, received 234 votes from the 450-member single-chamber Grand National Assembly.

A second ballot will be held on Wednesday, at which the winner also needs a two-third majority, and if necessary a third on May 16, when only a simple majority is required. Seven times prime minister and twice ousted by the military, the 68-year-old Mr Demirel has been a feature of the Turkish political map for almost three decades.

There is some disappointment that he is keen to take up a largely ceremonial post, leaving the government without strong leadership.

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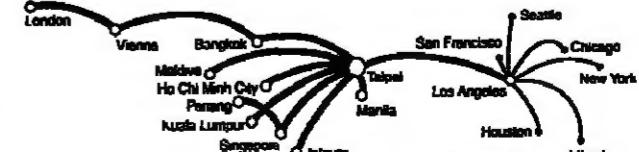
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NEWS: INTERNATIONAL

Eurofighter fails to find its wings

THE embarrassment of all concerned, the Eurofighter is not yet airborne. The prototype of the European Fighter Aircraft, re-baptised Eurofighter 2000 last year, should have flown in 1991, but crucial equipment and software is still awaited.

Managers of the joint venture between Britain, Germany, Italy and Spain - which is now expected to cost £12bn - say the aircraft should fly at Manching in Germany in September. But technical delays are not the only problem.

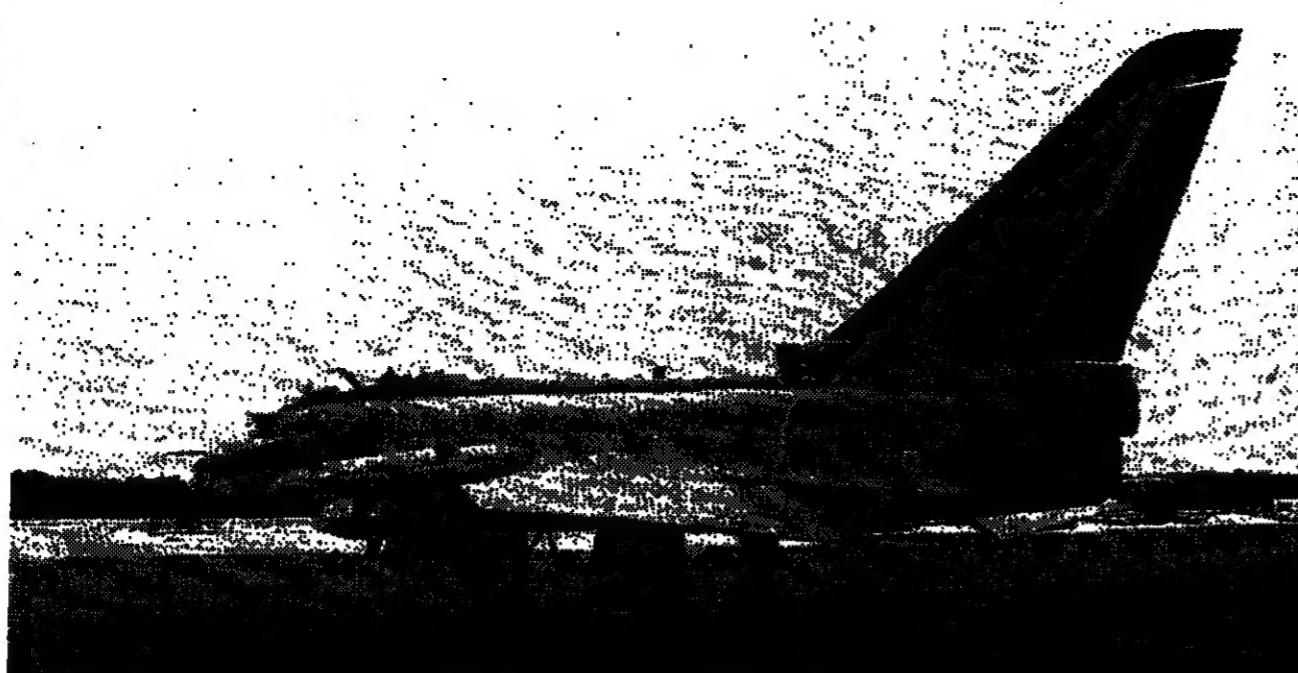
German funding for development work has almost dried up. Five months after a ministerial agreement in December to redefine the project and keep the four-nation partnership, new contract terms are not settled.

It is also unclear how the partners will share production work. Eurofighter, the consortium between British Aerospace, Daimler-Benz's Deutsche Aerospace (Dasa) subsidiary, Alenia of Italy and CASA of Spain, is unable even to say who will make the starboard wing.

The four governments have agreed, for budgetary reasons, to delay the target date for the first Eurofighters entering service by two years, to 2000. Germany and Spain do not want their aircraft before 2002. But officials say the consortium could not have met the original schedule anyway.

At the end of last year the aircraft's electrical generator, supplied by a joint venture between Ferranti International of the UK and the Bendix division of Allied Signal of the US, failed its reliability tests. Fitting an existing generator, heavier and underpowered for the fighter's needs, delayed the first flight by five months.

This was less serious than software problems with the "fly-by-wire" flight control system. The aircraft relies on a computerised system to work its flaps, rudder and the front wings known as "canards". Dasa has overall responsibility for the system but the software comes from GEC-Marconi of the UK. A joint task force including more than 20 British engineers is in Munich carrying out tests on the system.



Grounded: the Eurofighter prototype, with German airforce markings, is still unable to fly

The revised Eurofighter project was designed to allow nations to equip aircraft according to their needs and budgets - the result of Bonn's objection to the project's high price. But the "menu" approach obscured the question of overall costs. British government and industry officials argued that since Germany followed unique accounting principles, which included in-service costs, its figures could not be translated into sterling estimates.

It is now clear that the price asked by the consortium in April 1992, prompting the German crisis, was higher than expected. Reductions forecast in the revised programme were against that price; they were expected to range between 12 and 23 per cent.

Britain's saving was put at 14 per cent, through improved manufacturing arrangements and economies in logistical support. But the extra cost in sterling of German components, following the UK's withdrawal from the exchange rate mechanism of the EMS, has reduced the expected saving to 11 per cent.

Mr Volker Rühe, German

defence minister, tried last year to kill the project and had it replaced by a new, smaller aircraft. He failed, but had already cut the funds allocated for Germany's share of the project.

Britain consented to a slowing down of the programme only if it did not raise overall costs. The engine consortium Eurojet - comprising Rolls-Royce, Dasa's MTU off-

meeting in Bonn on April 5. Under this, contracts for setting up production will not be let until 1995, after the next general election in Germany.

Britain consented to a slowing down of the programme only if it did not raise overall costs. The engine consortium Eurojet - comprising

Rolls-Royce, Dasa's MTU off-

concluded in the third quarter, coinciding with the first flight.

Germany's share of production work has yet to be resolved. Its 33 per cent share in development was based on an expected purchase of 250 aircraft, while the current forecast is 140. Mr Mehdiorn says he expects Germany will end up buying more aircraft and is seeking to maintain the same level of participation.

The partners want to eliminate the more glaring inefficiencies resulting from collaboration. For example, the radome which covers the radar on the aircraft's nose takes 300 days to produce and spends more than 100 of them moving from one country to another.

There is also an overlap between Britain and Spain on the starboard wing. The other wing is Italian.

Administrative structures must also be rationalised. Eurofighter, Panavia (an Anglo-German-Italian company overseeing the Tornado project) and two intergovernmental management agencies work side by side in a Munich building. But rivalry makes a merger unlikely for another two years.

David White on a swathe of cash disputes and technical delays

division, says the company itself might provide the necessary finance. "If there are some short-term holes, we are ready to help out," he said. But the company, which has had to bail out some of its sub-contractors, would claim for the financial charges, adding to programme costs and possibly heralding further budget arguments.

The "silly situation", as Mr Mehdiorn calls it, over German funding has clouded work on the revised project. In contrast to the high-profile agreement in December, junior ministers from the four countries agreed on a new programme at a

shoot, Fiat and ITP of Spain - is expected, however, to receive an increase of up to 5 per cent on its fixed-price development contract to cover a longer period of flight tests.

Eurofighter, responsible for the aircraft itself, is also seeking an increase.

Government officials say that since Eurofighter is behind with its programme, "the cost consequences are theirs".

Officials are anxious, however, to prevent a row emerging over responsibilities. They expect new four-nation memoranda of understanding and development contracts to be

ABN-AMRO Holding N.V.

established in Amsterdam

At the annual general meeting of shareholders held on 7 May 1993, a dividend of NLG 2.90 per ordinary share of NLG 5 nominal value was declared for 1992. Part of this dividend has already been made payable in the form of an interim dividend of NLG 1.40, which might be taken at the shareholder's option either entirely in cash or as a cash payment of NLG 0.50 together with ordinary shares chargeable to the share premium reserve of, if desired, to the general reserve, in the ratio of one new ordinary share for every fifty ordinary shares held.

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In connection with the above, NLG 0.50 and NLG 1.00, less 25% withholding tax, will become payable in exchange for dividend coupon nos. 11 and 12, respectively.

Shareholders opting for payment in the form of ordinary shares chargeable to the share premium reserve will receive one new ordinary share of NLG 5 nominal value in exchange for every fifty dividend coupons no. 12. The closing date is 9 July 1993. After this date holders of dividend coupons no. 12 can obtain payment in cash only. The new ordinary shares in respect of unexercised stock dividends will be sold.

Holders of CF-certificates will receive the cash dividend, less 25% withholding tax, and their rights to ordinary shares through the institutions where the dividend sheets belonging to their certificates were deposited at the close of business on 7 May 1993.

In respect of the exchange of dividend coupons no. 12, which must be provided with a company stamp on surrender, corporate members of the Amsterdam Stock Exchange Association will receive a commission in accordance with circular letter 90-56 of the Amsterdam Stock Exchange Association so that said exchange can be made free of charge to the holders.

Persons presenting dividend coupons no. 12 for exchange and requesting delivery of securities at offices other than those stated above, may be charged commission.

Holders of registered shares and registered preference shares, whose names have been entered in the ordinary share register and preference share register, respectively, will be notified individually by the company of the amount of dividend payable to them.

As preference share depositary receipts are in issue in the form of CF certificates only, holders thereof will receive their preference dividend - less 25% withholding tax - as from 24 May 1993 through the institution where the dividend sheets belonging to their certificates were deposited at the close of business on 7 May 1993.

Amsterdam, 10 May 1993

ABN AMRO Holding N.V.

Stichting Administratiekantoor
ABN AMRO Holding N.V.

ABN-AMRO

Attack on German hostel for refugees

A HOSTEL for foreign refugees was firebombed and a graveyard for victims of Nazi persecution was wrecked in the latest attacks blamed on right-wing extremists in Germany, police said yesterday. Reuter reports from Berlin.

No one was injured when a petrol bomb thrown at a refugee home in eastern Germany on Saturday night failed to ignite.

Police could not immediately say how many people or what nationalities lived in the hostel in Teterow district in the northern state of Mecklenburg-Vorpommern.

In the state capital Schwerin, police said vandals toppled 81 tombstones at a cemetery commemorating those who died resisting Nazi rule.

The SPD is considering moving the annual party conference, due in autumn, to June to cut the time the party leadership is left vacant. It is also debating whether the next party chief will automatically become the rival candidate to Mr Kohl.

SPD politicians have also been calling for the party's 900,000 members to have a say in the election of the next party leader. Such a move

SPD begins search for a new leader

By Ariane Genillard in Bonn

would help ensure a new leader had grassroots support.

Members of the presidium were meeting state party leaders last night. Discussions are due to continue today within the executive board of the SPD.

Leading candidates for the post include Mr Gerhard Schröder, prime minister of Lower Saxony, and Mr Rudolf Schäffer, prime minister of the Rhineland Palatinate. Ms Renate Schmidt, vice-president of the Bundestag, the lower house of the German parliament and head of the SPD in Bavaria, also announced she would run for the chancellor's office.

Opinion polls show popular support for the SPD is neck and neck with the ruling Christian Democratic Union (CDU) and its Bavarian sister party, the Christian Social Union (CSU).

While Mr Engholm's resignation has damaged the Social Democrats' standing in public opinion, a series of scandals within the CDU/CSU has dealt equally severe blows to the popularity of the ruling party.

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Data source: "Chief Executives in Survey 1992"
FT SURVEYS

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Japan's government urged to pull out from Cambodia

By Charles Leadbeater
in Tokyo

THE JAPANESE government was last night attempting to head off pressure to withdraw police officers from peacekeeping duties in Cambodia after the killing of an officer in an ambush last week.

Mr Keiji Murata, home affairs minister, will today call for the unarmed Japanese police officers to be given greater protection or be withdrawn to Phnom Penh.

Mr Murata arrived in Phnom

Pen yesterday for talks with the United Nations Transitional Authority for Cambodia over the safety of Japanese personnel.

UNtar has so far refused to accede to Japanese government demands to withdraw the police to safer areas, on the grounds that this would be a violation of UN rules.

If Mr Murata is unable to return with a pledge that the police will be given greater protection, it is likely pressure for their recall will grow.

The issue is highly sensitive

for the Japanese government because the despatch of peacekeepers to Cambodia was presented as a symbol of Japan's commitment to play a wider role in UN affairs.

Japan sent 600 military personnel and 75 police officers in October to help oversee the run-up to elections due to be held from May 23 to 28.

In a frank meeting with Japanese police officers yesterday Mr Murata was asked by Mr Hiroto Yamazaki, the head of the police contingent in Cambodia: "How many of us will

have to die before you decide to pull the Japanese police out of Cambodia?"

Mr Katsu Muto, the foreign minister, who was visiting the family of Mr Haruyuki Takata, the slain policeman, said he was reluctant to consider a full-scale withdrawal of the police.

However, Mr Yohel Kono, the cabinet secretary, acknowledged that the government was under pressure to clarify its position over the conditions in which it would withdraw the personnel.

Tokyo police hold foreign workers

By Charles Leadbeater

TOKYO police and immigration officials yesterday mounted an unprecedented raid on foreign workers as they gathered in a park in the Japanese capital. They were allegedly breaking immigration laws.

The authorities took 102 foreigners into custody in the highest profile action yet to stop mainly Iranian workers from gathering in Yoyogi Park on the outskirts of central Tokyo.

Every Sunday over the past two years the park has been a meeting place for several thousand mainly Iranian men. The

entrance to the park where the men gather takes on the air of a middle eastern bazaar with stalls selling Iranian food, music cassettes and haircuts, as well as forged telephone cards. The authorities also allege there is extensive drug dealing.

Immigration officials and police officers used several vans to take away 61 Iranians, 11 Malaysians as well as Nepalese and Pakistani workers.

On April 28 the authorities signalled their intention to crack down on the gatherings when the Tokyo metropolitan government started planting about 3,000 azalea bushes in areas of the park where the

men gather. They then cordoned off the area with high fences, ostensibly to protect the plants.

Immigration officials said all the men taken away had overstayed their visas in Japan and were working illegally in factories and on construction sites. They said the men would be repatriated soon.

The illegal foreign workers are in part victims of the sharp economic downturn. They were mainly attracted to Japan during the high growth of the late 1980s when it became commonplace for young Japanese to refuse to do dirty, dangerous or difficult manual jobs.

Indian scandal blamed on lax bank management

By Stefan Wagstyl
in New Delhi

THE RESERVE Bank of India, the country's central bank, in a final report on last year's Rs 40.3bn (286bn) securities market scandal blames lax bank management for the affair.

Inadequate internal audits and inspections allowed irregular links to develop between banks and stockbrokers in the securities market, says the report, which was published in two parts at the weekend. Those responsible for controlling business operations chose not to probe too deeply, says the central bank.

The report says that while the Reserve Bank checked banks for asset quality and had debt provisions, it perhaps paid too little attention to the activities of bank treasuries, the units primarily responsible for securities market investments.

The scandal, which erupted in April last year, prompted the resignation of a cabinet minister, the arrest of about 20 people, and big losses for some banks, including Standard Chartered of the UK.

The latest Reserve Bank report mostly concerns facts already made public in four previous reports and in evidence given to a parliamentary committee which has separately been probing the affair. However, the report adds several new names to the list of banks accused of carrying out irregular transactions including Hongkong and Shanghai Banking Corporation. The report alleges that Hongkong Bank in its portfolio management services - investment accounts which were used to invest funds in securities on behalf of clients - infringed the rules under which such accounts were to be operated.

The report makes recommendations on future regulation, saying tighter supervision is needed in the interbank securities market, especially of forward transactions and of the use of bankers' receipts, which are instruments issued by banks representing securities which they hold. It also recommends stricter supervision of brokers permitted to enter the interbank market and higher standards of book-keeping, audit and inspection.

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China likely to cool economy

Tony Walker on the fears of a repeat of the boom and bust cycle

THE SENIOR Chinese official whose words were carefully, avoiding expressions such as credit curbs and import restrictions, but his meaning was clear: China is, belatedly perhaps, seeking to cool its overheated economy.

"Although the credit situation in China is tolerable we shall try to exercise greater control so as to avoid a repetition of the sort of the situation that occurred in the late 1980s," Mr Wang Zhongyu, director of the newly established State Economic and Trade Commission, told reporters.

This was the most explicit public signal in recent months that the authorities are intent on calming the economy, although fear of a return to the "boom and bust" cycle of the 1980s is encouraging caution.

Mr Wang complained of excessive duplication in some manufacturing industries. China's economic boom was also placing an intolerable strain on the country's infrastructure.

He also made it clear much stricter controls would be placed on fixed asset investment to curb its astonishing growth of 70 per cent in the first quarter of this year compared with the corresponding period last year.

"No country can give carte blanche to investment. Every country needs a quota for its fixed asset investment... so we shall try to exercise more effective control," he said.

Western economists, who have long been arguing that China's spectacular growth rates - 14 per cent for the first quarter on top of 13 per cent last year - are unsustainable, believe that the main issue for the country's economic managers is whether, in their efforts to "fine tune" the economy, they can avoid a "hard landing".

China's increasingly complex economy, in transition from rigid state control to a market-oriented system, will not prove easy to calm without resort to the tough administrative measures employed in the past. Yet these are the very devices the authorities wish to avoid in this latest phase.

In the 1988 boom economic growth reached 12 per cent and urban inflation exceeded 30 per cent, prompting a panicky administration to institute savage credit curbs.

Mr Wang made it plain that a more rigorous approach would be applied to granting credit, and priorities would be re-ordered. Preference would be given to what he described as "basic industries" such as

fixed asset binges, and the most wasteful. The state sector recorded losses equivalent to \$76bn (248bn) in 1992.

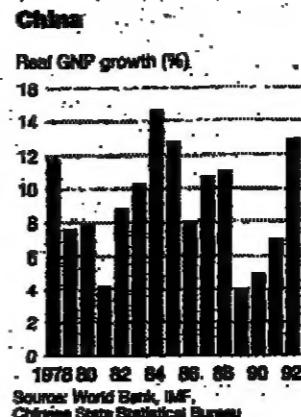
The Chinese official gave no indication that more strenuous efforts might be made to restrain growth in the money supply which, according to the broader M2 measure, charged ahead by 30.6 per cent last year and continued in similar vein in the first quarter, but he did hint at possible interest rate increases to cool activity.

Mr Wang gave no indication what steps, if any, might be envisaged to stabilise China's exchange rate. The local currency is continuing to depreciate.

The import surge, accompanied by a deterioration in China's trade balance, spells further trouble for the yuan, which is now in sight of 10 to the US dollar on the "grey market" compared with an official rate of 5.7 and a "swap market" rate of about 8.5.

China's official growth targets for this year, spelt out at the recent National People's Congress, or parliament, are between 8 and 9 per cent. However, with growth exceeding 14 per cent, a figure of 10 per cent seems more likely, unless the authorities lose their nerve and decide a harder landing is necessary.

State-owned enterprises are among the main culprits of the



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Close contest in Paraguay election

By Stephen Fisher in Asuncion

PARAGUAYANS voted yesterday for the first civilian president in nearly 40 years, with early indications of voting patterns suggesting a close contest between the three leading candidates.

The pre-election favourite was Mr Guillermo Caballero Vargas, head of Encuentro Nacional, a recently-formed pro-business coalition grouping. He was seen as benefiting from a split in the Colorado party, which, with the support of the army, has ruled Paraguay for almost 50 years.

However, support for Colorado's Mr Juan Carlos Wasmosy appeared to be rising. His opponent in a disputed Coloradista primary last December, Mr Luis Maria Argana, has called for his supporters not to vote for Mr Wasmosy, a move likely to benefit Mr Caballero Vargas.

The third leading contender was Mr Domingo Laine of the centre-left Authentic Liberal party.

Some 200 international observers, led by former US President Jimmy Carter, are in Paraguay for the elections. Observers yesterday spoke of some irregularities in the procedures leading up to the elections but nothing suggesting the result would be affected.

The army, however, barred entry at the border to Paraguayans trying to enter the country from Argentina to vote. Minor violence was also reported, including a grenade attack on a TV station in Asuncion.

There was nervousness about whether the army would accept the result of a vote ending the rule of the Colorados. While the army hierarchy appears split on the issue, a powerful commander, General Lino Oviedo, said the army would co-govern Paraguay for all time with the Colorados.



Aryeh Deri just before signing his resignation letter yesterday

US seeks more evidence on Bush death plot claims

By George Graham in Washington and agencies

US INVESTIGATORS are seeking more evidence on whether Iraq was behind a plot to assassinate former President George Bush on a visit to Kuwait last month.

Mr George Stephanopoulos, the White House spokesman, said the US took the allegations of Iraqi involvement very seriously. "If we determine Iraq was involved in state-sponsored terrorism, the US will take appropriate action against Iraq," he said.

Eleven Iraqis and five Kuwaiti residents of Iraqi origin have been charged in Kuwait with conspiracy to kill Mr Bush and with other acts of terrorism.

Mr Mubarak al-Dawlah said he had submitted documents

Israel's interior minister resigns

By Judy Meltz in Jerusalem

MR ARYEH DERI, Israel's interior minister and head of the ultra-religious Shas party - one of three partners in the Labour-led coalition of Prime Minister Yitzhak Rabin - yesterday submitted his resignation to the cabinet.

While the move threatens the fragile coalition, it is unlikely to bring about the collapse of the government.

The coalition crisis was triggered when Mrs Shulamit Aloni, the secular education minister and head of the left-wing Meretz party, refused to accept an ultimatum issued by Shas that she leave her post.

The ultimatum was announced several days ago after remarks by Mrs Aloni which Shas claimed were offensive to the religious.

Mr Deri's decision to leave the government has caused considerable anxiety among Mr Rabin and his party colleagues, who are eager to have as broad a coalition as possible behind them if Israel is asked to make tough decisions on the peace process.

Mr Deri is the only member of Shas who sits in the cabinet. With Shas out of the government, Mr Rabin's coalition will rest on a minority of 56 members of parliament. An additional five MPs representing Arab parties are, however, likely to support him outside the government on peace issues, thereby ensuring that the government does not fall in any no-confidence vote.

But Mr Rabin has in the past ruled out the possibility of undertaking important moves on the sensitive issue of territorial compromise while relying on the Arab parties for his majority vote in parliament.

It is therefore expected that in the next two days, until Mr Deri's resignation takes effect, there will be intensive negotiations among the coalition partners to ensure the government continues in its present composition.

A likely solution to the crisis is a portfolio exchange, under which Mrs Aloni would be removed from the Education Ministry and appointed to another ministry, thereby enabling Shas to remain in the coalition.

Mr Rabin has said that if

Meretz is seriously interested in promoting the peace process, it will give up the education portfolio. Meretz insists, however, it would be wrong to set a precedent of bowing to ultimatums issued by the ultra-religious parties.

NEWS IN BRIEF

'Bosnia' warning to S Africans

SOUTH AFRICAN President F W de Klerk and the African National Congress both warned at the weekend that the mobilisation of right-wing whites could turn South Africa into a new Bosnia, Patti Waldmeir reports from Johannesburg.

In a tough statement aimed at demonstrating to his nervous supporters that the government is able to control left- and right-wing violence, Mr de Klerk warned that "extremists on the left or the right should not underestimate the government's power and its resources".

The ANC said: "The people of South Africa will not... be blackmailed into accepting schemes that seek to turn South Africa into another Bosnia."

Both were reacting to moves last week to set up a united front of right-wing parties to press for Afrikaner self-determination in constitutional negotiations. Those talks have now reached a crucial point, with negotiators promising to set a date for the first all-race elections - and agree principles of a new constitution - within four weeks.

Ireland cuts interest rates

The Central Bank of Ireland is cutting two key interest rates, from today, AP reports from Dublin.

The central bank said over the weekend that it was it was reducing to 8.50 per cent from 8.75 per cent the short-term rate it charges on loans to commercial banks. It will also cut its overnight deposit rate to 5.25 per cent from 5.50 per cent. That rate is applied to surplus money-market funds that the central bank lends out overnight to commercial banks.

Rise in oil demand slows

World oil demand will rise only slightly this year to a little over 65m barrels a day (b/d), OPEC Secretary-General Subroto said at the weekend, according to Reuter in Vienna.

Mr Subroto said production by non-members of the Organisation of Petroleum Exporting Countries would fall by about 1m b/d so that the cartel would have to make good this shortfall. Demand would pick up particularly in the second half of the year.

Senegal voters go to polls

Senegalese lined up to vote yesterday in elections expected to win a few more seats for the opposition but leave newly-re-elected President Abdou Diouf with a majority in the national assembly, AP reports from Dakar.

The president's Socialist party currently has 103 assembly seats to 17 for the Democratic party of Abdoulaye Wade, chief opposition leader. Six parties or coalitions presented 1,223 candidates to this West African nation's 2.5m voters. A national commission must declare results by Friday.

Djibouti president re-elected

President Hassan Gouled Aptidon of Djibouti has been re-elected to a fourth six-year term, officials said yesterday, Reuter reported from Djibouti.

Less than half the electorate voted in polls over the weekend which were boycotted by supporters of the opposition Front for the Restoration of Unity and Democracy. FRUD guerrillas control large areas in the north of the tiny Red Sea republic.

Officials said Hassan, in power since independence in 1977, won 60.71 per cent of the vote, making a second round unnecessary.

Taiwan vetoes China bank plan

Taiwan's Finance Minister Lin Chen-kuo has vetoed a proposal by a group of 15 private Taiwanese banks to set up a joint venture bank in China, Reuter reports from Taipei.

A delegation of Taiwanese bankers, now visiting Beijing, proposed to Chinese authorities that they establish Taiwan's first financial institution to operate in China since the end of the civil war in 1949, local newspapers said. The venture, capitalised at \$1bn (249.3m), would have had its headquarters in Beijing or Shanghai and establish branches in other Chinese cities such as Shenzhen.

NZ 'will debate' republic issue

Talk of Australia dumping Queen Elizabeth as head of state and becoming a republic will trigger a similar debate in New Zealand. Prime Minister Jim Bolger said yesterday, Reuter writes from Wellington.

"It is an issue which could have lain dormant for years but now because of Australia's move, will become a matter of discussion and debate," Mr Bolger told a conference of his conservative National party in Wellington.

By Mark Nicholson in Cairo

LIBYA'S leader, Colonel Muammar Gadaffi, has suggested that Libya should encourage mass tourism to the country, where it is now banned, make the Libyan dinar convertible and attract new foreign investment.

The suggestions, made in a televised weekend speech, are unlikely to be translated immediately into practical steps. But they represent further advocacy by Col Gadaffi of moves to liberalise Libya's state-dominated economy.

The remarks also appear to indicate the Libyan leader's concern over the political isolation and harmful eco-

nomic effects caused by United Nations sanctions against Libya. These were imposed in April 1992 after Tripoli refused to hand over for trial in the west two suspects in the 1988 bombing of a Pan Am flight over Lockerbie, Scotland.

The UN last month renewed the sanctions, which include a flights embargo, while the US threatened to tighten them, perhaps to include a ban on oil sales.

During the speech Col Gadaffi said Libya should consider creating a law providing guarantees for foreign capital investment.

Foreign companies should be invited to invest in tourism. "Tourism

produces a very big income," he said. "Libya had a ban on tourism. However, Libya is very, very rich in tourist attractions."

He also said the country should "put on the agenda" making the Libyan dinar fully convertible, but warned that "this could only be done when there was adequate production otherwise it would be catastrophic".

These proposals follow Col Gadaffi's suggestion in February that the government should reduce its role in Libya's economy and his criticism of the way public finances were being handled. Late last year he also urged accelerated privatisation of key parts of the economy.

The calls for economic liberalisation - which must be debated by the People's Congress - come as UN sanctions appear to be biting hard.

The Libyan government complained last week that the sanctions had cost more than 800 Libyan lives and billions of dollars in revenues. A statement said 691 people had died in road accidents on their way to airports in neighbouring countries, while 150 died because of delays in medical care created by the blockade.

The government said sanctions had cost \$2.2bn (£1.4bn) in lost exports and in losses to the country's livestock caused by shortages of imported vaccines. Libyan Arab Airlines, the

state carrier, had also lost hundreds of millions of dollars.

Arab attempts to broker a solution to the Lockerbie impasse continue, led by Egypt, the Arab League and countries of the Arab Maghreb Union, but there are no signs of a breakthrough.

Col Gadaffi has sought to align himself more closely with his Arab neighbours, speaking recently of the threat posed by Islamic fundamentalism to the region - concern felt more acutely in Algeria, Tunisia and Egypt than in Libya. Last week he said fundamentalists were "heretics" who should be "killed and annihilated just like a dog, without trials".

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT											
	United States	Japan	Germany	France	Italy	United Kingdom	United States	Japan	Germany	France	Italy	United Kingdom
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	102.5	99.0	99.0	99.0	99.0	99.0	102.5	102.5	102.5	102.5	102.5	102.5
1987	108.4	105.9	8.1	105.5	109.6	112.1	104.4	104.4	104.4	104.4	104.4	104.4
1988	112.1	111.8	5.4	108.1	114.0	122.8	110.5	106.3	106.3	106.3	106.3	106.3
1989	114.6	114.5	5.2	99.3	112.7	132.8	116.9	122.7	122.7	122.7	122.7	122.7
1990	115.0	115.7	5.4	84.5	108.8	142.0	125.3	2.1	142.7	124.1	125.3	125.3
1991	112.7	113.5	6.7	62.0	145.0	128.1	2.1	144.1	122.9	130.5	120.7	120.7
1992	117.6	115.3	7.3	60.4	120.7	140.3	120.2	124.4	128.0	119.1	48.6	108.1
2nd qtr 1992	2.6	7.4	60.5	116.1	-3.5	-5.2	2.1	127.2	122.3	-4.3	-1.0	47
3rd qtr 1992	4.0	6.9	7.5	80.1	-3.8	-5.1	2.2	121.2	122.9	-0.2	0.7	102.8
4th qtr 1992	7.0	2.2	7.2	61.8	-5.0	-7.7	2.3	116.3	123.4	-0.4	-0.2	109.8
1st qtr 1993	4.4	4.4	62.2	-5.1	-10.4	-21.0	-1.3	-4.6	5.1	230.8	108.1	-1.4
April 1992	3.0	2.5	7.2	59.4	116.4	-2.8	-6.0	2.0	128.9	122.7	-2.5	-0.1
May	2.8	2.4	7.4	61.3	116.4	-1.0	-8.9	2.1	125.4	122.5	-4.1	4.7
June	2.3	1.6	7.5	60.1	116.2	-5.3	-8.4	2.2	121.2	122.9	-1.8	-1.3
July	3.0	1.2	7.5	56.9	116.4	-1.0	-8.1	2.2	122.8	122.1	-2.2	-4.7
August	4.4	1.0	7.5	61.2	116.2	-1.8	-8.1	2.2	121.7	122.2	-1.5	-0.7
September	4.8	0.5	7.4	59								

Late payment 'notably worse' in Britain

By Vanessa Houlder,
Property Correspondent

UK BUSINESSES face greater delays in the payment of bills than their European counterparts, according to a new study.

The UK's record for paying bills between 15 and 60 days late is "notably worse" than in France, Italy, Belgium or the Netherlands, according to research by Manchester Business School for National Westminster Bank.

The study blamed the late payment on companies putting short term financial advantage before their contractual obligations. "It is a demonstration that the business culture ranks monetary gain above ethical behaviour," it said. The research underlined problems for small businesses from late payment of bills, which have intensified during the recession and led to government initiatives to attempt to shorten payment times.

The study cast doubt on the assumption that the problem of late payment is inflicted by large companies on small suppliers. Although the finances of small companies suffer disproportionately from late pay-

ment, they are no better than large companies in paying bills on time.

"Large companies may well be late payers, but small and medium-sized enterprises are at least as bad and probably worse," the report says.

It points out that small companies are unlikely to be able to pay suppliers more promptly than large companies because they have higher finance costs and a greater proportion of trade creditors.

The study supported a proposal, backed by the Forum of Private Business, a small business lobby group, for legislation to give companies a statutory right to interest on unpaid bills. However, it acknowledged that there was "no significant evidence" that a statutory right to interest improved late payment.

The study called for a reduction in credit periods, which it said would improve the cash-flow of many UK companies. It said small manufacturers and wholesalers would gain from shorter credit periods, although the agriculture and retailing sectors would not benefit as they would need to finance increased working capital.

Polly Peck creditors await report from administrators

By Andrew Jack
and Robert Rice

CREDITORS of Polly Peck will be waiting anxiously for the latest report from the group's administrators at the end of this month after Mr Asil Nadir's escape from jail in Cyprus last week.

Claims by Mr Nadir that he will attempt to regain control of companies in the group are likely to destabilise attempts by accountants to recover assets on creditors' behalf.

Mr Michael Jordan, one of the group's joint administrators at accountants Coopers & Lybrand, said last week that he had been on the verge of an agreement with the authorities in northern Cyprus to arrange sales of Polly Peck assets.

He flew back to Istanbul at the end of the week in an attempt to safeguard these arrangements. Another accountant close to the discussions said: "Negotiations were at a delicate stage. Now the dust has to be allowed to settle."

Coopers said a Turkish buyer was on the point of agreeing to pay \$20m for Meynay, the Turkish fruit business, and a Cypriot was "shortly" to pay about \$10m for ICP, a pharmaceutical com-

pany. Administrators are meeting early this week to discuss a more detailed strategy on how to pursue their claims in the light of Mr Nadir's escape. They are due to report to creditors again at the end of this month and so far they are sticking to their projections made in October.

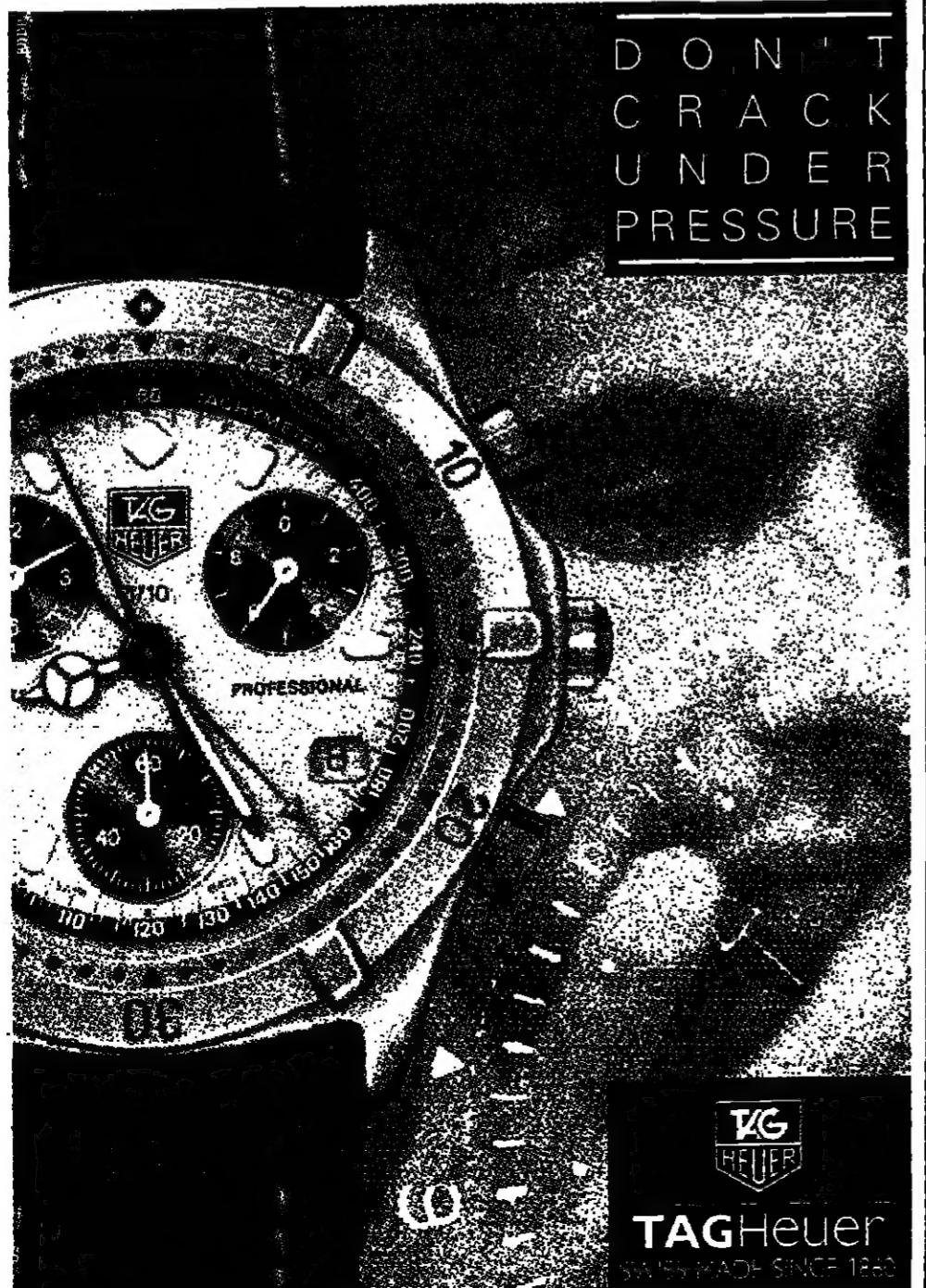
These suggested dividends in the range of nothing to 4p or 4p to 10p. Which range applied would depend on the unresolved assessment of how a \$400m loan from PPI Holdings BV for Del Monte was rounded.

Mr Jordan said no dividend was likely this year, although he might recommend to creditors that Polly Peck moves from administration into a voluntary arrangement or liquidation and insolvency procedures before then.

The \$400m loan represents the difference between the group's estimated liabilities in October 1990 of either \$1.4bn or \$1.6bn. Of the total, \$832m is owed to banks and other creditors and \$227m to bondholders.

By October last year professional and legal fees and costs stood at \$15.6m. There had been total payments of \$86m and receipts of \$86m, including realisations of non-core businesses and assets of \$27m.

DON'T
CRACK
UNDER
PRESSURE



Final talks expected to begin today on Pharmaceutical Price Regulation Scheme

Rate of return on drug sales to be set soon

By Paul Abrahams

FINAL negotiations are expected to begin today between the department of health and the Association of the British Pharmaceutical Industry aimed at concluding the scheme that sets the rate of return for drugs companies operating in the UK.

Talks about the scheme, known as the Pharmaceutical Price Regulation Scheme, started eight months ago. "There is quite a lot of good will," said one drugs group executive. "We hope to conclude the negotiations over the

next few weeks, although there is still quite a gap between what we want and the department's proposals."

The industry is anxious to finish the PPRS negotiations. The government needs to save money on its drugs bill during this financial year and the PPRS is not settled early ministers could be tempted to introduce a freeze on drug prices or even price cuts similar to those recently introduced in Germany.

The National Health Service drugs bill last year was £3.49bn and is estimated to be increased at between 12 per cent and 15 per cent a year, according to the ABPI.

Meanwhile, the NHS advisory committee on drugs, set up to decide which drugs within 10 therapeutic areas the NHS will no longer pay for, met on Thursday.

The committee is expected to publish its final conclusions shortly on topical anti-rheumatics, anti-diarrhoeal medicines, appetite suppressants and drugs for vaginal and vulval conditions.

The ABPI wants any recommendations to be the subject of full parliamentary debate.

The committee is also

expected to inform companies soon of its preliminary recommendations on three other groups - hypnotics and anxiolytics, drugs used in anaemia and topical corticosteroids.

The association is anxious to increase the rate of return on capital employed set by the PPRS should not be reduced. It claims the rate, set at between 17 per cent and 21 per cent, is reasonable and that the actual return is less than 10 per cent.

The ABPI is also anxious to correct an element within the PPRS which appears to provide a disincentive for exporting. Under the present complex rules any increase in exports effectively reduces permitted UK profits.

American members of the ABPI are also known to be worried about measures to control promotional expenditure, which is limited to about 9 per cent of sales to the National Health Service.

American general practitioners take up new drugs far more slowly than their French or Italian counterparts and the US groups believe this is partly because educational activities are curtailed.

MPs likely to attack CD prices

By Financial Times Reporter

THE BRITISH music industry is expected to be criticised this week by a parliamentary committee report questioning the prices charged for CDs.

The report could be followed swiftly by an investigation by the Monopolies and Mergers Commission.

Sir Bryan Carsberg, director-general of the Office of Fair Trading, hinted at the end of April that a referral may be made, and that he would announce his decision in two to three weeks.

Judging by the attitude of MPs at ill-tempered public hearings of the national heritage committee last month - when members from all parties accused industry representatives of over-charging for compact discs - their report to be published on Wednesday is likely to be highly critical.

Sir Bryan said at committee hearings that he still had an open mind about whether the UK music industry operated a complex monopoly on CDs. He added, however: "There is enough information there to make me concerned about the situation."

He said the lower price of CDs in the US had persuaded him the issue needed to be examined again, even though his predecessor, Sir Gordon Borrie, found no reason to call for an MMC investigation as recently as April last year.

Sir Gordon said then he could see little reason why CD prices were so high but that consumers appeared willing to pay the prices charged. He concluded there was no monopoly in the business and no evidence of collusion between CD producers or retailers.

Sir Bryan said at the recent committee hearings that matters which needed to be explored included restrictions on CD imports to the UK from the US and whether contracts between artists and music companies created a "limited monopoly situation".

In a letter to the Financial Times today Mr John Deacon, director-general of the British Phonographic Industry, denies that CD prices are 40 per cent higher in the UK than in the US. Taking exchange rates into account, the difference is 10 per cent to 15 per cent, he says.

Letters, Page 12

Training councils and government split over priorities

By Lisa Wood,
Labour Staff

SHARP differences in priorities for training the jobless have emerged between the government and the private sector-led bodies it pays £1.6bn a year to carry out the programmes, according to a survey by the Financial Times.

The survey is the second to canvass the opinions of the 1,220 board members of the 82 Training and Enterprise Councils (TECs) in England and Wales, responsible for delivering the government's main training programmes.

Most of the TEC directors who responded rated the training of the jobless as their lowest priority, despite getting the bulk of their public funding for that purpose. Top priority, according to a majority of directors, was local economic regeneration, including the creation of jobs. "Jobs should be real and not cosmetic," said one director.

The survey highlights the frustration of many TEC directors who want the Treasury to allow them more flexibility and discretion in their approach to assessing local economic and

labour market needs as the recession ends.

A number of other tensions exist in what the government describes as a strategic partnership with TECs. Fifty-nine per cent of directors in the survey were not satisfied with the relationship between TECs and the government.

The findings are topical. While the government sees TECs as here to stay there are growing tensions over how the partnerships should evolve.

TECs want more co-ordination between government departments so that a more focused approach could be taken in areas such as education and training. Half the 500 directors who responded to the survey - more than 40 per cent of all the TEC directors in England and Wales - advocated the establishment of a new department of education and training.

One of the most controversial ideas being considered by the government is the introduction of "workfare". Selected groups would have to take community jobs or training in return for benefits. Forty-six per cent of directors in the survey supported such a move.

CONTRACTS & TENDERS



EGYPTIAN GENERAL PETROLEUM CORPORATION IS CALLING OFFER FOR SALE FLAKES CAUSTIC SODA ACCORDING THE FOLLOWING CONDITIONS:

- 1 - QUANTITY: 1500/2000 MT PER MONTH
- 2 - DELIVERY: FOB ALEX. PORT: STARTING FROM JUNE 1993.
- 3 - QUALITY: AS THE FOLLOWING SPECS.

TEST

	LIMITS
- SODIUM HYDROXIDE STRENGTH	% WT (MIN) 98.0
- SODIUM CARBONATE AS NA 2C03	% WT (MAX) 0.2
- CHLORIDE AS CL	% WT (MAX) 0.012
- SULPHATE AS SO4	% WT (MAX) 0.015
- SILICA AS SiO2	% WT (MAX) 0.012
- IRON AS FE	% WT (MAX) 0.002
- THICKNESS	MM 0.2-1.0

4 - PACKING:

FLAKES CAUSTIC SODA IS PACKED IN 25KG PACKAGES OF FOUR LAYER OF KRAFT PAPER WITH INNER P.E. LAYER AND A VAPOUR BARRIER LAYER OF P.E. LAMINATED TO THE OUTERMOST KRAFT LAYER TO OUTSIDE. EACH FORTY PACKAGES ARE STOWED ON A WOODEN PALLET 140 X 110 X 15 CM.

THE WHOLE PACKAGES ARE WRAPPED WITH P.E. SHEET WITH FINAL DIMENSIONS FOR LOADED PALLET 140X110 X 125CM.

5 - PAYMENT: AT SIGHT IN USD THROUGH IRRIVICABLE AND CONFIRMED L/C. AGAINST USUAL SHIPPING DOCS.

6 - VALIDITY: OFFERS SHOULD REACH E.G.P.C. MAX 18/5/1993 AND TO BE VALID TILL 24/5/1993.

7 - CORRESPONDENCE:

EGYPTIAN GENERAL PET. CORPORATION
NEW MAADI, CAIRO, EGYPT.
TLX : 92049 PETMISR UN
FAX NO.: 002023531487/002023531463
ATT: VICE CHAIRMAN FOR FOREIGN TRADE.

FOR ANY INFORMATION PLEASE CONTACT:

MRS NADIA MOHARAM
GENERAL MANAGER FOR EXP. & IMP.
PET. PRODUCTS
TEL. NO. 002023531487

CARNAUDMETALBOX	
Société Anonyme à Directoire et Conseil de Surveillance with a capital of FRF 869 186 306	
Head Office : 153, rue de Courcelles - 75017 PARIS	
RCS Paris B 775 721 996	
NOTICE OF MEETING	
<p>The shareholders are hereby informed that a General Meeting will be held at Paris (75008) at Pavillon Gabriel, 5, avenue Gabriel - France, on 1st June 1993, at 11 a.m. (local time) to consider the following agenda:</p>	
<p>A. General Meeting Report of the Directoire, Supervisory Board's comments, Auditors' reports.</p>	
<p>B. Ordinary Meeting Approval of the 1992 financial statements. Appropriation of net income-Dividend Agreements governed by Article 143 of the French Companies Act Supervisory Board : appointment of new members Authorisation to be given to the Company to trade in its own shares on the stock market, in order to stabilise the price</p>	
<p>C. Extraordinary Meeting Authorisation to be given to the Directoire, subject to the prior approval of the Supervisory Board, to:</p> <ol style="list-style-type: none"> increase the share capital through the capitalisation of reserves, profits or shares premiums issue, with or without exercise of existing shareholders' pre-emptive subscription rights: <ul style="list-style-type: none"> - cash shares, with or without warrants - convertible bonds, with or without warrants - bonds with warrants - bonds redeemable for shares, with or without warrants - compound securities. <p>Authorisation to be given to the Directoire to grant stock options to the members of staff and management of Group companies.</p>	
<p>Powers To be entitled, to attend, to be represented or to vote by post at this Meeting :</p> <ul style="list-style-type: none"> - holders of registered shares must be recorded in the Company's share register at least five days before the date of the Meeting. - holders of bearer shares must deposit at DEMACHY WORMS & Cie (55, rue La Bodin - 75008 PARIS France) at least 5 days before the date of the Meeting a certificate evidencing that the shares have been deposited with authorised intermediaries until the date of the Meeting. <p>Forms of proxy/postal vote should be lodged with the Company at least five days before the date of the Meeting.</p> <p>Another person may represent a shareholder at the Meeting if he is himself entitled to attend the Meeting, or is the spouse or legal representative of the shareholder.</p> <p>Le Directoire</p>	

MANAGEMENT

More companies are putting corporate values into words, writes Lucy Kellaway

Men with a mission

On every desk at Dun & Bradstreet is inscribed a corporate prayer. "As the men and women who are The Dun & Bradstreet Corporation, we are a team - One Company united through shared values" it begins, inciting the 56,000 employees to "strive relentlessly" and to "work to the best".

In the 3,000 heel bars of the Minit Corporation around the world is a framed statement declaring that the company's mind is "positive, optimistic and determined", in the pockets of every Motorola worker is a laminated card bearing that company's mantra.

Corporate values have come out of the closet. In the last few years most big US organisations have felt the need to make a public statement about what they believe in, what they are about and where they are going.

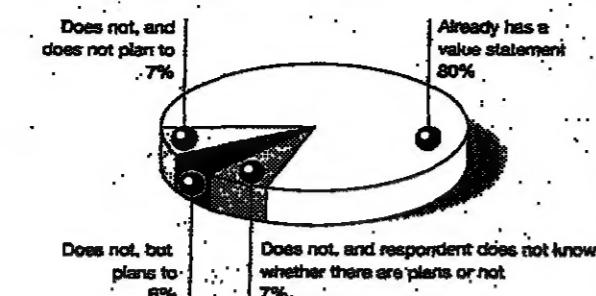
The trend has now crossed the Atlantic. According to a report by Digital Corporation, some 80 per cent of British companies have put their values into words.

There is no standard form to these pronouncements. Some are just a line or two, others run to a small volume. Some take the shape of "mission" or "vision" statements, setting strategic goals for the business as a whole, while others lay down standards of behaviour of the people inside the organisation. But all are trying to capture the essence of the company: to find something that will be a diverse group of people and interests to a single goal or set of values.

It is no surprise that these statements have recently caught on. As the old hierar-

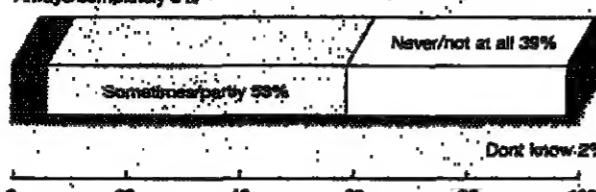
Mission statements UK companies

"Does your organisation plan to prepare such a statement?"



"Are your organisation's corporate values really slogans which do not make much difference to daily work behaviour?" All managers

Always/completely 6%



Source: Digital

chies within companies have toppled, employees have had to take more decisions for themselves. "If you flatten an organisation, people have nothing else to turn to when they make judgments," says John Humble, the management consultant who prepared the report for Digital. At the same time shareholders have increasingly demanded clear statements from companies justifying their existence.

The most common form of mission statement involves a description - usually spelt out in the annual report - of the company's aims. This can range from the banal to the baroque, and may include a statement of its values.

At one extreme is "Ikea's Business Idea", which simply states as its guiding principle: "We shall offer a wide range of home furnishing items of good design and function, at prices so low, that the majority of people can afford to buy them."

At the other extreme is the Body Shop which proclaims in giant type on the back of its annual report:

"Make compassion, care, harmony and trust the foundation stones of business. Fall in love with new ideas."

Other companies state goals that reach beyond their actual business: J Sainsbury rather grandly talks not just of selling groceries but of "contributing to the public good and to the quality of life in the community".

When it comes to listing their values, the same ones appear again and again: most companies cite the need to care for people, customers, quality, competitiveness, innovation, the community and the environment. Yet not all statements are so fashion conscious, nor so bland. The Yorkshireshire conglomerate BBA unashamedly announces: "The Victorian work ethic is not an antique," and "grit and gumption are preferable to inertia and intellect".

But how worthwhile are these statements? Some seem so obvious as to be barely worth saying, while others are hard to say while keeping a straight face. Academic evidence from the US suggests that companies with a strong mission tend to have outperformed their competitors, but then those companies seem to be better managed generally. The mere existence of a statement of corporate values or of a mission appears to have little, if any, effect on a company's performance. The Digital survey shows that more than 80 per cent of value statements are not strictly adhered to by managers, let alone the rest of the workforce.

This is an alarming finding, as a statement which is not being followed properly can be a liability. "If you hang on about a mission that is not believed, you are devaluing management," says Mike Jeans of consultants KPMG.

So how can companies make their statements work better? Philip Mellor from Dun & Bradstreet says the company's value statement is part of a broad programme of cultural change. To make the values stick, everyone is trained for five days every year and employees are rewarded on how well they live up to the values.

The Minit Corporation claims that its statement has been a success partly because it consulted 300 managers in 27 countries before the final draft was drawn up.

However, not everyone agrees that companies should have value statements at all. According to Andrew Campbell of Ashridge Strategic Management Centre, statements are really only helpful in companies that already live by them. They are an *aidé memoire*, but not of much use in motivating people or in helping them change their behaviour.

A case in point is Marks and Spencer, which has grown a strong sense of corporate value without any formal statement. "We do not hand out principles like the 10 Commandments and say thou shalt abide by them," says a company spokesman.

Campbell argues that companies should initially limit themselves to the flattest statements of what they do, and perhaps what it wants to be. "But the I believe stuff is very dangerous. If you write it, you'd better believe it," he warns.

No doubt BBA really does believe its philosophy of hard grind: whether all those companies that declare a belief in their people or in the environment live up to their words is another matter.

Ford's engineers become lateral thinkers

Julian McNamara looks at the company's new programme to spark creativity

Ford Europe is undertaking what could be the biggest profit-motivated retraining and re-motivating exercise in the field of production and engineering. The object, according to Tom Smith, co-ordinator of occupational psychology at Ford Training and Education, is to make better motor cars available more quickly.

"As a company we could see areas where the decision-making process stifled creativity. The aim of the Education Training Quality Improvement Plan (Equip) is to remove obstacles at all levels, and hopefully everything we achieve will show through quickly on the cars themselves."

A few years ago that type of statement would have verged upon heresy in Henry Ford's empire. But as western manufacturers have watched the Japanese and latterly the Koreans, slash new model development times from five years to two, corporate structures have come in for overdrive questioning.

Part of the aim is to raise the level of ingenuity and efficiency of the engineering staff and to change the perception of the engineer within the organisation.

"Our engineers are first class but if a creative man feels that he is being badly managed or badly rewarded, he can soon feel penalised because of his skills. So the wider programme extends to all areas of management," says Smith.

Originally conceived by Ford UK, the programme has now been adopted by Ford Europe which plans to extend it to some 4,000 engineers.

Allowing for the projected individual timespan of the programme - some 15 months - its scale is enormous.

But just how do you identify the creative engineer? The question is far more complex than it appears; for instance, normal personnel tests tend to be self-defeating.

Faced with a questionnaire

asking whether you have:

very few creative ideas; more

than a few; many ideas; would

anyone other than a fool opt

for the first?

According to Smith's colleague Fiona Patterson, the answer lies in questioning established engineering values. "There is a tendency to over-engineer solutions to what can be simple problems.

This, as with the set hierarchical structure, is not unique to Ford and probably begins at university. The creative engineer will have some ability to think laterally."

One test devised by the team for use at recruitment level is to take a ball-bearing travelling down a ramp into and through a funnel (normal time about five seconds) and ask candidates to extend its journey to 20 seconds.

The majority of engineering graduates seek to slow the ball on the ramp with card board or masking tape. Few bother to ask if they can move the funnel and even fewer grasp the principle that tilting the funnel will cause the ball-bearing to spin inside the lip and gain the extra time.

As a result, the Japanese excel. With that in mind, as the first 300 Ford engineers went into the Equip programme in March, the question of whether psychologists can speed up the production process took on a great deal of importance.

Wooing the customer

Hugh Aldersey-Williams on the Citizen's Charter

Public services and companies that responded to the launch of the British government's Citizen's Charter initiative last year have reported mixed results from their efforts.

This partly reflects the fact that elements of the Citizen's Charter are still coming into effect. Earlier this year for example, British Rail's Network SouthEast gave its first discounts to last year's delayed season ticket-holders. In addition, from the beginning of the year contractors have been obliged to explain why a road is being dug up and how long the work will take. From April, hospitals began to offer appointment and waiting-list guarantees.

Private-service providers have jumped aboard the bandwagon, but they have been as prone to miscalculate the tone and content of their charters as the public sector.

Norman Lamont, chancellor of the exchequer, set the ball rolling by asking the big four clearing banks to introduce charters for their business customers. Their response came in the form of modest promises. However, the banks' image was so tarnished by the time their charters came out that they were dismissed by many

customers. They promised too much and were not believed.

Just as bad is to promise too little. This is where many public-sector organisations fall short. They hedge their promises. British Rail asks for its customers' views, but only on comparatively trivial matters such as station cleanliness and staff behaviour. Its Intercity standards employ such sophistry that the public has no benchmark by which they can measure performance.

Perceptive companies, however, see there is a competitive advantage to be gained from customer charters. "The big banks had charters forced upon them and this has coloured people's views," says Ian Farmfield, a partner at Dragon International, a marketing consultancy that has advised companies on preparing charters.

"But they should be viewed as a positive opportunity." With charters it is crucial to avoid promising what people do not really want. Payment of an average of £1.50 - the cost of a one-journey - from London Underground is poor compensation for a business meeting missed. So is £10 from British Gas for a broken appointment.

BAA (formerly British Airports Authority) tried giving monetary vouchers to compensate for long queues, but soon stopped when research showed the policy to be counter-productive. "People didn't really want to know if we had queue times because they thought we might not be checking security efficiently," explains Jenny Bradley, director of public affairs at Heathrow Airport.

On the other hand, a commitment to provide for free something that occasionally comes at a price can make a good impression - such as Shell's pledge promising free air and water at its petrol stations.

Farmfield advises businesses not to issue charters if they do not have the support of both top management and the "shop-floor" staff who are in contact with the public.

Many companies have always had internal codes of practice but saw no mileage in making them public. But more industries may soon hop aboard the customer charter bandwagon.

Dragon International believes businesses with the potential to benefit include those where the customer is obliged to trust a more expert supplier, such as pharmaceuticals, the building industry and personal financial services.

COMPANY NOTICES

LANCASHIRE & YORKSHIRE ASSURANCE SOCIETY

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fourteenth Annual General Meeting of the Lancashire & Yorkshire Assurance Society will be held on Thursday 27th May 1993 at 3.00pm at the Rotherham Moat House, Rotherham.

AGENDA

1. To receive the Chairman's Report and the Accounts for the year ended 31st December 1992.
2. To re-elect Mr B J White BA ACA as a Member of the Committee of Management.
3. To reappoint Messrs KPMG Peat Marwick as the auditors to the Society from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorise the Committee of Management of the Society to fix the remuneration of the auditors.

By order of the Committee of Management, J.C. Ramsden CBE, Secretary

21st April 1993 Moatgate Hall, Moatgate Road, Rotherham S60 2AW

Any member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Society.

A Form of Proxy may be obtained from the Registered Office of the Society and in order to be valid, must be deposited at the Registered Office not less than 24 hours before the time

appointed for holding the Meeting.

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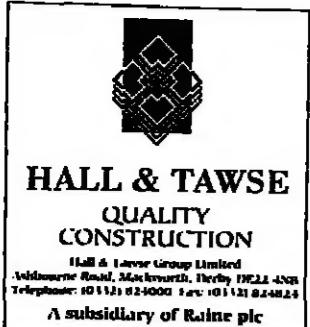
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CONSTRUCTION CONTRACTS

Evered Bardon awarded £17m for US projects

EVERED BARDON, the international quarry and aggregates group, has won a series of contracts with a combined value of £27m (£17m).

In Massachusetts, Bardon Mount will be the main contractor on four highway resurfacing contracts valued at more than \$16m. Over 300,000 tons of coated stone will be supplied to these contracts, which include resurfacing a tolled section of Interstate 90 between Grafton and Framingham for the Massachusetts Turnpike Authority.

The company has also won contracts to supply materials to two major projects in downtown Boston. 17,000 cubic yards of readymix concrete will be supplied to Turner Construction, which has won the contract to build the New England Medical Centre, and more than 400,000 tons of aggregates are to be supplied to Spectacle Island, part of the \$6bn Boston Harbour clean-up scheme.

In Washington DC and Maryland, Evered Bardon's Mid-Atlantic division has won contracts to supply more than 800m of materials. Over 300,000 tons of aggregates will be supplied to the Government Federal Tri-



A view of the Federal Triangle project in Washington

angle building in Washington DC and a similar quantity is to be railed and barged to the Patuxent Naval Air Station in southern Maryland for a major resurfacing contract.

The company has also been awarded the contract to supply 20,000 cubic yards of readymix

concrete to the Baltimore City Jail Annex. Construction begins this month. Aggregates for the concrete on this project will be supplied via Evered Bardon's second aggregates rail terminal in the region, which opened late last month at Canton in Baltimore City.

£19m orders for Alfred McAlpine

ALFRED McALPINE BUILDING has been awarded another £19m contracts since the beginning of March. These include three contracts to build social housing.

Alfred McAlpine's south east region continues its success in winning social housing work with another two contracts.

The larger of the two, worth £4.2m, is for East London Housing Association and involves the demolition of a disused nursery site in Eisenhower Road, Bexley and the subsequent construction of 77 traditionally built houses on piled foundations.

The second contract is for Crawley Borough Council and comprises the construction of 14 houses and 12 flats at Field Road, Crawley. Work on the project, worth £1m, is due for completion in January 1994.

Colchester housing scheme

MANSELL has been awarded Phase 3 and 4 of a residential design and build scheme for clients The Guinness Trust. Providing a 123-unit development in Highwoods, Colchester, the scheme has a value of £4m with completion anticipated mid-1994.

The design of the scheme has

been prepared in collaboration with the John Groom Association, providing groups of bungalows for the disabled. The bungalows comply to the John Groom building specification incorporating extra wide doors for ease of wheelchair access, ramps and dropped kerbs around the entire development, specially equipped toilets, bathrooms and kitchens.

Alfred McAlpine Midlands region has been awarded a contract to build and refurbish social housing on the Exeter Estate in Corby. The project for Corby District Council is worth £7.6m.

The Midlands region has also

won a contract, worth £4.6m, to build a press works for the Express & Star in Wolverhampton. The work involves the demolition of the paper store, garages and transport offices and the construction of the new press works including an extension to the car park.

Finally, Alfred McAlpine's southern region has been awarded a contract to erect four bays, giving four hour fire resistance, in a warehouse at HM Naval Base, Portsmouth. The contract, awarded by Defence Work Services, is worth £1.5m.

Two move to invest in Save & Prosper

PEOPLE



Fund management group Save & Prosper has two new board members, Mark White (right), who moves from within the Robert Fleming Group, and Steen Steincke who was previously with Hafnia, the Danish insurer whose parent company went into receivership last August.

White returns to the UK

after seven years in Hong Kong, to replace 52-year-old

Simon Walters as investment

director in charge of the fund

management performance of

Save & Prosper. Walters in

turn goes back to Hong Kong

where he prefers living, to

become head of international

investment operations at Jardine

Fleming. Both Jardine

and Save & Prosper are

subsidiaries of the Robert

Fleming Group.

Just 37, White joined Flemings from Oxford in 1976 as an analyst. Latterly a director of Jardine Fleming Holdings and Jardine Fleming Investment Management, White was also chairman of the Hong Kong Trust Association. Paul Bateman, S&P's chief executive, said it was appropriate at this stage of his career for him to return to a UK-based job.

Save & Prosper has long had

the reputation of being a slum-

bering giant, although Walters

was able to achieve some

improvement in investment

performance.

Meanwhile Steincke, a 44-

year-old Dane who speaks six

languages, joins in the newly

created role of director of Euro-

pean retail operations. The job

had previously been included

in Bateman's remit; the cre-

ation of a separate role reflects

the growing importance of the

Continent - principally

France, Luxembourg and Spain

- to Flemings. Bateman says

that Steincke had been looking

for a job with a European per-

spective which he had missed

in his last assignment as chief

executive of Hafnia Holdings

UK. The group says Hafnia's

fate was not relevant to the

decision to hire him, and that

Steincke had an impressive

previous track record. Between

1986-1990 Steincke was presi-

dent of Hafnia Bank in Copen-

hagen before moving to Lon-

don to become managing

director of Prolific Financial

Management in London. Haf-

nia has now sold the Prolific

life insurance operation to

Scottish Provident.

Ugland to take over chair of ship repairers

Andreas O Ugland, a member of the Norwegian shipping family and chairman of Ugland Brothers, the UK-based ship management company, has been appointed chairman-designate of Bristol Channel Ship Repairs.

Ugland is expected to take over the chairmanship in the autumn when Bristol Channel's current chairman, Christopher Bailey, steps down.

His appointment appears to mark the end of a sometimes acrimonious battle for control of the group waged over the past nine months.

Ugland is Bristol Channel's largest shareholder. It has built up a 24.9 per cent stake, the bulk of which was acquired

in July when the company bought 18m shares from CHI Brothers, which also operates dry dock facilities in the Bristol Channel. This cut Bailey's holding to 8.21 per cent.

In March a bid by Ugland to seize control of the board at an extraordinary meeting was backed by shareholders but foiled when Bailey called a surprise board meeting the day before the EGM and appointed five new directors.

However, it appears that since then the two sides have reached a better understanding. John Love, one of three Ugland directors on the board, says Bailey had recognised that the move was in the best interest of all the shareholders.

Bodies politic



■ Ian Deslandes (above) has been appointed director general and Jim Kane, a director of Bovis Construction, chairman of the BUILDING EMPLOYERS CONFEDERATION.

■ Sir Robert Gerken, former Flag Officer Plymouth, and John Ingham, leader of Plymouth City Council, have been appointed chairman and deputy chairman of PLYMOUTH DEVELOPMENT CORPORATION.

■ Jonathan Harris, chairman and md of CARLISLE GROUP, is to be one of the private sector

representatives.

■ Rodney Grahame, professor of clinical rheumatology at Guy's Hospital, has been appointed chairman of the DISABILITY LIVING ALLOWANCE ADVISORY BOARD.

■ Kenneth Edwards, vice-chancellor of the University of Leicester, has been appointed chairman of the COMMITTEE OF VICE-CHANCELLORS AND PRINCIPALS.

■ David Varney, md of Shell UK, has been appointed president of the United Kingdom PETROLEUM INDUSTRY ASSOCIATION.

■ Peter Purton, recently retired senior partner of Norton Rose, has been appointed chairman of the WINE STANDARDS BOARD of the Vintners' Company.

■ Ann Scully and Christine Downton have been appointed to the board of IMRO.

■ Bill Clark, md of SnyderGeneral AAF, has been appointed chairman of Northumberland Tec.

■ John Swain, md of Anopol, has been elected chairman of the METAL FINISHING ASSOCIATION.

Academic to steer strategy for Clydesdale Bank

Clydesdale Bank, the Glasgow-based clearing bank which belongs to National Australia Bank, is bringing in outside blood and, it expects, new ideas with two appointments. They follow the arrival as ceo last year of Charles Love, formerly director of branch banking with TSB and ceo of TSB Bank Scotland.

Catherine Smith, an academic authority on banking, has been appointed to the newly created post of head of strategic development, joining the executive management committee and reporting directly to Love.

Holding a doctorate in economics from Glasgow University, she has been a consultant and conference speaker, advising clients in financial services in Europe and North America on strategy.

Her reputation grew from a big study of computerisation in the Scottish clearing banks, followed up by a series of management books on banking technology and strategy, of which the most recent is entitled "Tomorrow's success -

profitable strategies from the finance industry".

Clydesdale hopes she will help it to become "a little more visionary, not looking only at the day-to-day".

The bank has also appointed a new general manager of its finance division. He is Peter Aslett, who joins from British Petroleum where he was vice-president for finance and chief financial officer with Tex/Con Oil & Gas in Houston Texas. Before that he worked for ICI both in the UK and the US. He succeeds the long serving Jim McNeillage who has left the bank, "taking with him our very best wishes".

Society's expectations from commercial organizations have shifted in recent years. Creating wealth is no longer enough. There is increasing pressure for a different relationship with employees. And a growing number of people are questioning companies' use of the earth's limited resources.

Senior managers are often unsure of how to respond, how to include these non-traditional considerations in their business planning, and what their priorities should be. It is understandable that many feel the need to reflect on these issues before defining their company's strategy for the years ahead.

If you are among them, may we recommend our *International Program for Senior Executives*. You will spend a week with your peers, focusing exclusively on these subjects, in a unique program that examines areas that are not usually dealt with in management education.

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ARTS

Heart and soul of the National

Colin Amery admires the gallery's refurbishment of its Central Hall

National triumphs are thin on the ground at the moment, but one that offers more than due cause for celebration was unveiled last week. At the National Gallery the opening of the refurbished Central Hall (the gift of Lord Rothschild) marks the completion of a major stage in the reordering and redecoration of the main galleries. Visitors to the National Gallery are now able for the first time to stand in the new hall and comprehend at a glance the whole plan of the building.

If you want to undergo an amazing architectural experience, stand in the gleaming new hall and look to the east and then to the west. It is now possible to enjoy a vista of what must be one of the finest enfilades of great rooms in Europe.

This architectural triumph has two roots. First of all the architect of the Sainsbury Wing, Robert Venturi, immediately grasped the possibilities of axial views throughout the whole building when he made the decision to plan the new extension as a wing of an existing palace. He aligned the approach to the Sainsbury Wing from the main gallery floor so that the axial plan coincided with the main route to the new wing. His circular bridge with its screen walls can now be seen as a focussing element that leads the eye without distraction into the vistas of both the old and the new buildings.

The second root of this triumph was the decision to commit the building policy of the gallery to a refurbishment programme based upon the recognition of the architectural virtues

of the mainly 19th-century galleries. Last week, at the dinner held in the Central Hall to mark its reopening, Lord Rothschild spoke of the beginning of the battle for the architectural soul of the National Gallery, which began more than a decade ago. "The question was whether or not to re-create the marriage of Victorian art and architecture, which, in the post war period, had been thought somehow improper and shameful and distracting from the pictures."

It was in the set of galleries known as the Barry Rooms (designed by E.M. Barry 1867-76) that the policy of authentic restoration was first carried out to remove the whitewash that had been applied after the war to hide the Victorian polychromy. This successful precedent encouraged the National Gallery to proceed along the path that has gradually revealed the best qualities of the existing building.

Thus the Central Hall was restored to the original decorative scheme designed by Sir John Taylor with John Crace. Lord Rothschild's generous gift has created a calm centre at the heart of the galleries where visitors can meet and rest and feel immediately that they are at the central point of a new logical hang which divides the collection into four easily identifiable wings: the Sainsbury Wing, with paintings from 1260 to 1510; the West Wing, paintings from 1510 to 1600; the North Wing, paintings from 1600 to 1700; and the East Wing with paintings from 1700 to 1800.

The Crace/Rothschild scheme has been carried out by the gallery architect, Michael Morrison of Purcell Miller Tritton with Milmarc, Henry



The newly restored Central Hall, now a point of reference for the whole building

and Zervudachi as the interior decorators. The brilliant team of Hare and Humphries carried out much of the specialist gilding and painting. The well-scaled pattern of acanthus leaves on the wool damask walls make a reticent background to the four battle scenes by Horace Vernet painted for the Due d'Orléans, later King Louis Philippe. The intention was not to create another gallery here, but to keep the hall as a breathing space and a point of reference for the whole building.

The particular success of the colour scheme in the hall is that it links through to the redecorated vestibule and makes visual sense of an area

that was once so confused. But there is another modest triumph which visitors should not miss. A handsome new staircase has been created to take visitors to the lower floor from room 13 with stone steps and railings, based on a William Wilkins design. It was an inspired idea to hang the Domenichino (1581-1641) frescoes from the Stanze di Apollo in the Villa Aldobrandini at Frascati on this staircase. They tell stories of Apollo, the patron of poetry, music and the arts, and have a light and festive quality.

But the heart is lifted by the whole success of the rejuvenation of the National Gallery. More remains to be done - the vestibule and the lower

restaurant floor and of course the

interiors of the grim Northern extension. Surely donors will flock to ensure the completion of the settings for this, one of the finest national collections in the world.

The success of the National Gallery demonstrates that it is possible to offer the public the highest possible standards of both collection and display. Underlying it all is a clear understanding of the enlightening potential of the visual arts. The gallery has been fortunate in its patrons and its helpers. It stands as it should, as a national exemplar of breathtaking quality, a model for the world.

Birtwistle premières

Distances and Antiphonies

Key aspects of Harrison Birtwistle's music were freshly illuminated at the weekend. Two new works - the first brand-new, the second a deuxième given only a few days after the world premiere in Paris - were played in two successive concerts by the Ensemble InterContemporain at the Purcell Room on Friday, and by the Philharmonia under Pierre Boulez at the Festival Hall on Saturday. (The Philharmonia, whose recently-forged Paris connections seem to be resulting in lively new things happening on both sides of the Channel, was patron of both events.)

The opportunity to encounter *Five Distances for Five Wind Instruments* (Friday) and *Antiphonies* for piano and orchestra (Saturday) side by side was a particular boon, since the direct result was to forbid easy critical generalisation - always a good thing. Taken on its own, the former work might suggest that Birtwistle's muse has without losing its muscularity become unprecedently relaxed, even genial, and able to pack complex ideas into an ever-smaller handful of well-placed notes. Taken likewise, the latter would surely prove the converse, that his music has never seemed more massively structured, aggressive in cut and thrust, and difficult to follow from moment to moment.

Eventually, the music seems to peter out into pacific accord, except that subversive stutters from the bassoon keep hinting otherwise: a wonderfully

robust touch, characteristic of a composer whose attainment of artistic order always involves fierce physical confrontation.

The new concerto composition - emphatically not a concerto - is much harder to grapple with and assess. As in previous Birtwistle works, setting up a strong solo element within a large-orchestra context, all notions of "solo" and "orchestra" are inevitably put to the most stringent tests, with violent batteries of percussion and frenzied internal contests of internal groupings as part of the process.

On this occasion, though, I continually lost touch with that distinctness of identification, timbral, harmonic, and in terms of tempo, which normally guarantees the mounting exhilaration of a new Birtwistle experience. *Antiphonies* - written in memory of Howard Barbier, revered publisher and later artists' agent, and played with formidable brilliance by Joanna McGregor and the Philharmonia - seems the toughest nut the composer has offered for cracking in many years. More than one goes plainer needed to get at its nourishing centre.

Max Loppert

Philharmonia concert, sponsored by AFG, to be broadcast tonight on Radio 3.

be seen tonight at Komische Oper, where repertory includes *Les Contes d'Hoffmann*, *Die Zauberflöte* and *Swan Lake* (229 2555).

CONCERTS
Liber Pasek brings the Royal Liverpool Philharmonic Orchestra to the Schauspielhaus tonight with a programme of Britten and Mahler. Tomorrow's concert performance of Peter Cornelius' rarely-heard opera *Der Chi* is conducted by Gustav Kuhn. Thurs, Fri, Sat, next Mon: Uwe Gronostay conducts Berlin Symphony Orchestra and Chorus in *Carmina Burana* (2090 2155). This week's Berlin Philharmonic Orchestra programme at the Philharmonie on Wed and Thurs pairs Berg's Seven Early Songs (Waltraud Meier) with Mahler's Fifth Symphony, conducted by Claudio Abbado (2548 8232).

Pierre Boulez conducts concerts at Staatsoper unter den Linden on May 21 and 22 (200 4762).

THEATRE
The second week of Berlin's annual German-language theatre festival features a production from Weimar of Shakespeare's *A Midsummer Night's Dream* directed by Leander Haussmann (Wed, Thurs, Fri at Freie Volksbühne 881 3742), plus Wessels in Weimar, Ralf Hochhuth's controversial new play about the tensions of German unification (tomorrow till Sat at Berliner Ensemble 282 3160). For ticket information about other festival performances, call 2549 9254. A new arrangement of Schiller's Don Karlos is in repertory at Schiller Theater (312 6505). Peter Turiini's new play *Alpenglöhen* is directed by Alfred Kirchner at Schlosspark Theater, in repertory with plays by Alfred Kirchner at Schlosspark Theater, in repertory with plays by

Aycliffe, Dürrenmatt and Ibsen (793 1515). The new Marlene Dietrich musical, starring Jutta Habicht, runs daily except Mon at Theater am Kurfürstendamm (300 8000). *Porgy and Bess* opens at Theater des Westens on Sat, in a staging by Götz Friedrich (3190 3183).

● Tickets and information for theatre, revues, concerts and nightclubs shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6583 fax 882 6667) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286).

NEW YORK

THEATRE
● *Angels in America*: Tony Kushner's epic Pulitzer Prize-winning saga, set in 1985 at the height of the Reagan era, about sexual politics, death and decay. Not to be missed (Walter Kerr, 218 West 48th St, 239 6200).

● *The Who's Tommy*: a stunning stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 248 West 44th St, 239 6200).

● *Someone Who'll Watch Over Me*: Michael York has joined the cast of Frank McGuinness' moving and humorous play about three western hostiles in Beirut (Booth, 222 West 46th St, 239 6200).

● *The Sisters Rosensweig*: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion of three American Jewish

sisters in London (Ethel Barrymore, 243 West 47th St, 239 6200).

● *Lyspinka A Day in the Life*: John Epperson brings his fabulous lip-synching after-ego to Off Broadway (Cherry Lane, 38 Commerce St, 989 2020).

MUSIC/DANCE

Metropolitan Opera American Ballet Theatre season runs daily except Sun till June 12. This week's programmes include choreographies by Harold Landen, Lar Lubovitch, Glen Tetley and Agnes de Mille (362 6000).

State Theater New York City Ballet's *Balanchine* Celebration runs daily except Mon till June 27. This week's repertory includes the company's 1984 inaugural

programme on Wed and a group of 1954 premieres on Sun afternoon, including *Nutcracker Act 2* (870 5570).

Avery Fisher Hall Tomorrow, Thurs, Sat: Collin Davis conducts New York Philharmonic Orchestra in concert performance of *Der Freischu*

tz with Sharon Sweet, Gillian Webster, Thomas Moser and Ekkehard Wlaschins (875 5030).

Carnegie Hall Wed: Alfred Brendel plays four Beethoven piano sonatas. Sat afternoon: James DePreist conducts American Composers Orchestra in works of Piston, Dzubay, Colgrass and Duffy (247 7800).

JAZZ/CABARET
Blue Note Spring Vocal Festival opens tomorrow with Diana Schuur daily till Sun, followed next week by Diane Reeves, plus Nancy Wilson May 25-30. Music at 21.00 and

23.30. Dining (131 West 3rd St, near 6th Ave, 475 8592).

● *Russian Tea Room* For three Monday nights, starting tonight, high-voltage vocalist Julie Budd presents a musical salute to Dorothy Fields. Thurs, Fri, Sat this week and next: Amanda McBroom brings her warm-hearted personality to a show called *Shoes and Other Songs of Love*. Dining (150 West 57th St, 265 0947).

PARIS
DANCE/OPERA

Ballet de l'Opéra de Paris presents a programme of four Roland Petit choreographies at Palais Garnier, starting on Wed and running daily except Sun and next Thurs till May 22 (4742 5371).

On Thurs at Opéra Comique, Armin Jordan conducts first of eight performances of Jean-Louis Martiniot's production of *Ariadne auf Naxos*, with a cast led by Karen Huffstodt and Peter Svensson (4286 8883).

Le nozze di Figaro is revived tonight at Opéra Bastille for six performances with a cast led by Hakan Heggedal, in repertory with Andrei Konchalovsky's production of *Queen of Spades* (473 1300).

CONCERTS

Russian pianist Liya Zilberstein gives a recital tonight at Théâtre de la Ville (4274 2277).

On Wed and Thurs at Salle Pleyel, Samyon Bychkov conducts Orchestre de Paris in Mozart's Piano Concerto No 24 (Ricard Lupo) and Mahler's Fifth Symphony. Also at Salle Pleyel, Claudio Scimone conducts *I Solisti Veneti* in works by Rossini, Tartini and Vividi and Hiroki Iwaki conducts Orchestre National de l'Île de France on Sat in works

by Beethoven, Schumann and Bartók, with piano soloist Jean-Marc Luisada (4563 0796).

Jerzy Semkow conducts Orchestre National de France on Thurs at Théâtre des Champs-Elysées in a programme featuring Peter Donohoe as soloist in Beethoven's Fifth Piano Concerto (4720 3637).

JAZZ/CABARET

American gospel singer Tramaine Hawkins, famed for her 1979 rendering of *Oh Happy Day*, is in residence this week at Lionel Hampton Jazz Club, music from 22.30 daily till Sat. Next week: blues vocalist Bill Wharton and group (Hotel Meridien, Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

THEATRE

● *The Taming of the Shrew*: Jerome Savary's Shakespeare production starring Jacques Weber and Christine Boisson. Daily except Sat, Sun and Mon till June 26 (Théâtre national de Chaillot 4727 8115).

● *Andromache*: Racine's classical tragedy is part of a season of plays directed by Daniel Mesguich. Daily till May 19 (Maison des Arts, Creteil 4980 1888).

● *L'Homme qui*: Peter Brook's latest theatre piece, based on neurologist Oliver Sacks' book *The Man Who Mistook His Wife For A Hat*. Daily except Sun and Mon till May 25 (Bouffes du Nord 4607 3450).

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898.

Sponsorship/Caroline Kay

Seven figure Digital

The pleasure of a recession must be that, like hanging your head against a brick wall, it feels so good when it stops. Announcements of seven-figure sponsorships have been thin on the ground in recent years, but last week the arts world was reminded of the glory days when the Secretary of State for National Heritage announced, at the new British Library at St Pancras - surely the largest and grandest brick wall in London - a £1 million sponsorship from Digital.

In return for having an interactive exhibition gallery named after them, Digital has provided the Library with its largest ever private sponsorship in the form of computer systems integral to the Online Public Access Catalogue and the Automated Book Retrieval System, which will ensure that items from the 12 million volume London holdings can be identified, retrieved and delivered in 30 minutes.

Digital is also computerizing the Tate Gallery's library and archive - a significant collection of more than 250,000 documents and artefacts relating to 20th century art. This will be the first art library to go on to such an image retrieval system in Britain, and Digital will benefit by demonstrating it to clients and employees as well as receiving traditional corporate benefits.

These sponsorships build on Digital's existing provision of computer systems - which already run the box office at the Royal National Theatre, Sadler's Wells and elsewhere - and its continuing support of dance. Where would the arts be without Digital?

If Digital were in Scotland, it would be able to win an Award specifically for "sponsorship in kind" - one of the categories in the ABSA Scottish Awards, held last week in Glasgow and sponsored by United Distillers and *The Scotsman*.

It is understandable that, in a recession, sponsorship in kind has grown. It is less contentious in hard times, and the exchange of goods or services that it involves can be more personal than a traditional cheque-signing sponsorship.

This year's category winner was Sefaway, which made possible Scottish Ballet's first ever tour to Russia and the Ukraine by providing three pantomimes, with drivers, to transport sets, scenery and costumes, together with enough Sefaway products to feed an entire ballet company, many of whom were vegetarian.

With a similar eye to public perceptions of the private sector, BUPA is to sponsor live music recitals in NHS hospitals, nursing homes and hospices through the Council for Music in Hospitals, as well as running a series of concerts with high profile musicians in stately homes in order to raise the profile and funds of the Council.

Back in London, the British Land Company PLC has put £180,000 towards the Tate's major Ben Nicholson retrospective - the first major Nicholson exhibition since 1969, which will tour to St Etienne and Frankfurt after London. In addition to client entertainment, the sponsor will give shareholders a free ticket to the exhibition and will use images from it in its annual report - designed by another Tate sponsor CDT.

Caroline Kay is a consultant with arts management consultancy AEA.

first move into theatre: the sponsorship aims to show a commitment to customers and communities and the hunt is on within Hydro-Electric for staff with hidden play-writing talents.

In another in-kind sponsorship, the Portfolio Gallery has brought together artist Calum Colvin with three businesses - Tayburn, B&S Visual Technologies and Fuji Film - to create a Bosch-inspired exhibition, using state-of-the-art graphics and photographic technology, of "The Seven Deadly Sins and the Four Last Things". Steven Shear of B&S commented that producing an artist's image had brought a new dimension to the usage of their software, more usually employed in advertising, and provided a showcase demonstrating that the scope of their technology was limited only by the imagination of the user.

Scotland is also represented in the Ibibidous ice-cream brand Haagen Dazs' new arts sponsorship programme, "Dedicated to Pleasure, Dedicated to the Arts". The programme includes the reopening of Edinburgh's Fruitmarket Gallery and the Edinburgh Book and Film Festivals, and also features video at the Tate Liverpool, contemporary sculpture in an 18th century National Trust garden, and an exhibition at Manchester's Cornerhouse.

Green sponsorship shoots are also being gobble up by arts organisations south of the border. Tyne Tees Television has just contributed a substantial £100,000 over four years to the Newcastle-based Northern Sinfonia, strengthening its existing relationship to the orchestra by becoming a Platinum Corporate Member of the Northern Sinfonia's new Development Plan.

This goes some way to reassure those concerned about the genuine regional commitment of the new TV companies: there is an exact overlap between the home

It's just not worthwhile ploughing the fields any more," says Yan, a peasant farmer from Sichuan province in China's centre-west. "We've got enough to eat at home, but no money to spend, so people are leaving their villages to find work. In our village, there are only kids and old people left."

Dressed in ragged clothes and obliged to sleep on the ground in Beijing's overcrowded railway station, Yan and his colleagues are part of a vast, surging army that involves what may well prove one of the greatest population shifts in history. The peasant exodus - according to official statistics at least 15m have deserted the land for the cities since the late 1980s - is sounding alarm bells, perhaps belatedly, in Beijing. For it reflects not only a desire by impoverished peasants to share the fruits of China's rapid economic expansion, it also reveals deepening disillusionment among the country's 900m farmers and their families over the slim benefits of toiling in the fields.

Official statistics reveal that peasants' per capita net income is Y1770 (\$135) a year. This represents less than half that of urban dwellers. Agricultural production is also flagging compared with industrial output. Growth in 1992 reached just 3 per cent against 10 per cent for industrial production.

The bleak outlook for peasant farmers, dependent on tiny plots of land, is the other side of the coin of China's economic "miracle", based as it is on the success of new industrial enterprises in coastal regions fuelled partly by investment from abroad. This marks a sharp reversal from the beginning of China's economic reforms in the early 1980s when agriculture led the way and peasant farmers were held up as models of entrepreneurial achievement.

Officials in Beijing say that after internal Chinese travel restrictions were relaxed it was inevitable that farmers would drift away from their villages towards areas where economic rewards might be higher, such as China's larger cities and coastal regions.

The number of people affected by this economic shift is staggering. Mr Yi Yan Li, a specialist in migrant labour at the Agriculture ministry, estimates that among China's 400m peasant labourers, about 180m are surplus to requirements. "These numbers," he said, "are equivalent to the population of a big country."

Fields of frustration

China's economic miracle is fuelling an exodus from its rural heartland, says Tony Walker



Farmyard blues: peasants are seeking a better life in urban areas

About 100m peasants have been absorbed in the past 10 years into township and village enterprises that have mushroomed all over China, but this still leaves a vast pool of under-utilised farm labourers which Mr Li described as a "severe problem".

If the authorities cannot persuade people to stay down on the farm, or at least in nearby towns and villages, then problems of urban overcrowding - and the associated danger of heightened political unrest - might become overwhelming. Increasingly dissatisfied with their lot as the gap in incomes between city and country dwellers becomes ever wider, peasants have begun assaulting local tax-collecting officials, sometimes violently.

Authorities are especially worried about another consequence of the migration of peasants to urban areas - it has weakened the ability of officials to enforce family planning controls.

In an effort to bolster birth control efforts, an additional 15,000 family planning associations have been established.

but these organisations have proved intrusive and unpopular.

Sharpening the focus of peasant discontent over the past year or so has been the sometimes protracted delays by local authorities in redeeming "IOUs" or promissory notes to farmers obliged to sell a portion of their grain to the state.

Peasant anger goaded the central government into bringing heavy pressure to bear on local officials to honour obligations. Although Beijing must share responsibility since it has been slow to transfer funds.

At the recent session of the National People's Congress, the Chinese parliament, leaders were taken to task in private discussions over the dangers of neglecting the "farm sector". Wan Li, one of China's eight "immortal" leaders - the surviving Long March veterans in the leadership - is said to have assailed Premier Li Peng over "lukewarm" references to agriculture in his "work report" to the Congress.

Mr Wan reportedly summoned the ghosts of leaders of

peasant revolts in China's history to remind Mr Li of the dangers of neglecting more than 80 per cent of China's 1.1bn people. He is also said to have pointed out to his listeners the vital importance of peasant support to the success of the communist revolution.

In his parliamentary address, Mr Li admitted that agriculture, which he described as the "foundation of our economy", was "relatively weak", and noted that peasant incomes had risen slowly and their financial burden had been "too heavy". This was a reference to taxes which are not meant to exceed 5 per cent of net income and other local levies. Peasants are said to be paying on average about 10 per cent of their meagre earnings in taxes and levies. Costs of farm supplies such as fertilisers have also shot up recently as China has begun phasing out subsidies.

China's budget this year provides for a 9.3 per cent increase in investment in agriculture to Yn42bn, but few believe that this will do much to redress a growing imbalance between the agricultural sector and industry. According to government figures, agriculture's share of gross national product slid from 33.7 per cent in 1978, when the so-called open-door reforms began, to 22.1 per cent in 1991.

Recent forecasts of grain output have also painted a fairly gloomy picture when taken together with alarming reports of the "loss" of at least 1.6m hectares of invaluable farmland to industrial parks and development zones.

The official China Daily newspaper commented recently that grain production is likely to drop in coming years due to "shrinking arable land and deflated enthusiasm among farmers". Output this year is forecast to be 442.5m tonnes, roughly the same as last year. A target of 475m tonnes in 1997, outlined by Premier Li in March, is regarded as unrealistic, given problems of morale among farmers and slender rewards available from grain production on small plots of land.

The authorities have been slow to recognise the dangers posed by deteriorating morale in the countryside, coupled with problems caused by the peasant exodus to the cities. There is little sign officials have worked out how to deal with the challenge, beyond expressions of concern. As the income gap between country and city, rich and poor, continues to widen tensions will certainly not diminish.

LETTERS TO THE EDITOR
Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Folly of pouring £800m into 'black hole' of EC agriculture

From Mr Terry Wynn MEP.

Sir, With reference to your leader "Fraud in the EC" (May 5), the UK presidency in reaching agreement at the Edinburgh summit last December on the future financing of the EC, clearly did not help taxpayers by agreeing that agricultural spending could be bailed out by an extra £200m. The chickens are now coming home to roost.

This week the Commission presented its preliminary draft budget for the EC for 1994. A monetary reserve of Ecu1.5bn exists in the EC's budget but it

has only ever been used twice in the past. On those occasions the absolute ceiling fixed for agricultural spending (the guideline) was not exceeded and the overspend related solely to dollar/Ecu fluctuations.

Now the financial regulation is to be altered to allow for European Monetary System fluctuations - this has never been the case in the past. It is already predicted that this will exceed the agricultural guideline by Ecu1.5bn in 1994. With creative accounting and good luck the Commission will be

expected to get this down to an Ecu1bn overspend by use of the reserve.

It does seem worth asking whether the UK is satisfied that a further £200m should be poured into this black hole of agricultural spending when fraud in the existing system is so widespread and when other issues such as job creation are paramount.

Terry Wynn,
general rapporteur for
the 1994 EC budget,
105 Corporation Street,
St Helens,
Merseyside

Guild mentality of doctors and cabbies

From Mr Bernard Heymann.

Sir, I would like to congratulate Dominic Lawson on his piece highlighting the "guild mentality" of the medical profession ("Doctors: a life-threatening problem", May 1).

I cannot help feeling, however, that he is fighting a lost cause. Everyone needs to consult a doctor at some point and this inhibits politicians from taking a radical decision. The doctors defeated the government in 1948 and have continued to do so, in one way or another, since then.

More immediately it will be interesting to see whether the government will be able to modify the regulations requiring mini-cabs to be registered. Like the doctors, the black cab mafia are using their monopoly position to prevent anything that vaguely threatens them. After all, virtually every member of parliament uses taxis!

Bernard Heymann,
London EC1R 0EH

Fossil fuel levy should not be replaced by VAT

From Mr B C Solomon.

Sir, David Newbery makes two rash assertions in an otherwise excellent commentary on the workings of the electricity supply industry and the Fossil Fuel Levy ("Fossil fuel levy fails efficiency test", May 1).

The first is to say that "the obvious solution is to replace the FFL with VAT". Why? The construction of nuclear power stations was a strategic decision concerning the diversity of supply and it was reaffirmed by successive governments. It was therefore not a mistake. If this decision now requires revenue to support it then surely this should be raised through the general burden of taxation rather than falling on the hapless purchaser of electricity.

This leads to his second assertion: that lower product prices would result from a switch to VAT on electricity. This is unlikely to happen in the present circumstances with

margins tight or non-existent, and UK manufacturers paying more for their electricity than those of any other EC country except Germany and Italy. The more likely prospect is that manufacturers would give a huge sigh of relief as an uncompetitive cost component was removed. In short the saving would not be passed on.

The FFL is a device to raise (not recover) revenue. It is manifestly wrong and as David Newbery remarks, a distortion; industry would be well rid of it. Unfortunately, to remove its effect to taxation would tend to attack one of the government's sacred cows of not appearing to raise taxes and is therefore not politically correct.

C Bateman,
director,
business and environment,
British Paper and Board
Industry Federation,
Pinehill Road,
Stratford-upon-Avon,
Warwickshire CV37 8BD

Business history for managers

From Ms Mary B Rose.

Sir, Arnold Kransdorff ("Teaching the history of business", May 1) suggested that putting business history on the school curriculum would encourage a "cultural revolution" which would transform British business prospects. He did not explain how this would be achieved.

The neglect of business history in Britain's management schools is far more important. Internationally comparative business history demonstrates there is no magic formula to ensure competitive advantage. Instead, it shows the need for flexibility in business and the importance of tailoring strategy and structure to accommodate the ever-changing characteristics of particular societies and markets.

By allowing a dynamic analysis of strategy, the study of business history can provide a valuable extra dimension to management training. The teaching of business history in British management schools would generate a real gain for management education rather than the decidedly dubious benefit of a so-called "business culture" in schools.

Mary B Rose,
Department of Economics,
The Management School,
Lancaster University,
Lancaster LA1 4YX

Software etc

From Mr M J Lever.

Sir, Good news that Books etc are giving refunds on unreadable books. If only computer software dealers and suppliers were to copy their lead, life would be wonderful.

M J Lever,
London NW9

The pricing of CDs in the US and the UK

From Mr Rupert Perry.

Sir, Your editorial "Bulky prices for compact discs" (May 4) contains a number of factual inaccuracies concerning the pricing of CDs in the US and UK. In this, as in, it is characteristic of the entire debate around the value of music that has been conducted in the wake of the select committee on national heritage.

You assert that prices in Europe are about 40 per cent higher than in North America. Top line CDs commonly retail in the US at \$14.99, and in the UK at £11.99. Commentators typically fail to allow for the presence of VAT in the UK figure and the exclusion of sales tax in the US, 12 per cent currently in New York state. Even at these prices (many CDs in Britain are priced at £9.99) the price differential between the US and UK works out at approximately 11 per cent, not 40 per cent.

You write that the industry's argument that the cost of supplying CDs in the UK is higher than in the US "does not ring true". However, the economics of scale in North America mean that virtually all consumer goods are cheaper in the US because their distribution costs and their development costs can be spread over a market five times the size of the UK. Clothes, food, cars, petrol, cosmetics and books all fall into this category. It costs EMI

two-thirds less to manufacture CDs in the US than in the UK precisely because of these volume efficiencies.

Moreover, the largest retailing chains in the US maintain a smaller market share than in the UK but also in many other countries including the USA, Canada and Germany.

In the UK, the WH Smith Group, Woolworth and HMV combined have a market share of well over 50 per cent. By comparison, the top 10 music retailers in the US have only a 32 per cent market share. As a result, music retailers' gross margins average around 24 per cent as against a UK figure of 38 per cent.

You criticise copyright law for maintaining "wide" differences in wholesale prices between the US and the UK which are then reflected in retail prices. The wholesale price differentials are small, and are augmented (rather than reflected) at retail because of larger retail margins in the UK. The right granted to copyright owners to restrict parallel imports is only one of the vital rights granted by UK legislation. It is not a right granted to record companies alone, but also protects artists, composers and music publishers within the music industry, and extends to protect rights owners in other businesses such as book publishing, computer software and pharmaceuticals. All of these

businesses invest in the UK and need to secure a return on that investment from UK sales.

The desirability of this right in encouraging creativity and risk-taking is recognised not only in the UK but also in many other countries including the USA, Canada and Germany.

The Australian authorities, which last year recommended the withdrawal of the parallel import right in 1994, are now reconsidering their position because recent exchange rate changes have eroded the price differential between Australian records and those in certain foreign markets. Exchange rate fluctuations, resulting from government actions and the machinations of the money markets, are perhaps the key determinants of relative prices.

Profit is not a dirty word; the £2 off the price of CDs advocated by WH Smith would certainly make it a rare one. The last comprehensive survey of the UK record industry was carried out by Coopers & Lybrand and covered 1990. It showed that the average return on sales of British record companies, big and small, was approximately 5 per cent. Acting upon WH Smith's recommendations would plunge most of these record businesses into a loss at a stroke, at no cost to WH Smith and its fellow retailers who would retain their

I am mindful of the prime minister's recent exhortations to business people, when he urged them "to keep on exporting and we'll keep on supporting". The British music industry is the third largest earner of invisible exports for this country, and with the support of the government, EMI and other record companies intend to improve upon their already impressive drive for exports.

Rupert Perry,
president and CEO,
EMI Records Group,
20 Manchester Square,
London W1A 1ES

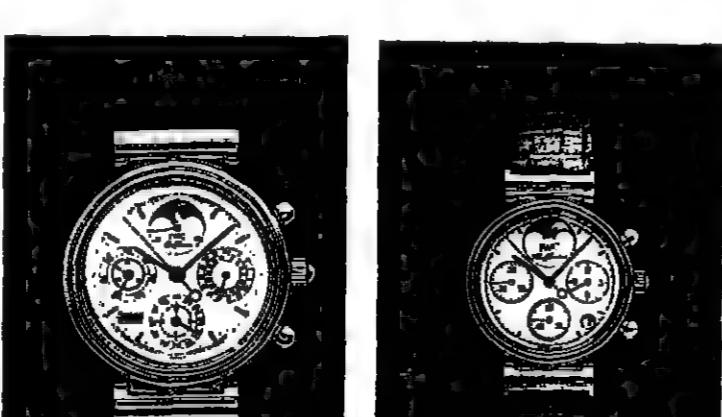
From Mr John Deacon.

Sir, I am sorry to see that in the case of the music business you do not exercise the same rigour as you do in your analysis of other sectors.

CD prices are not 40 per cent higher in Europe than in the US. Even if there was any relevance in making comparisons based on exchange rates, the figure would be around 10-15 per cent. Contrary to your assertion, there are very good reasons for this. Cultural products are not like soap powder and selling music into 15 different countries with 15 different languages requires a fresh approach to packaging and marketing, and higher costs in each territory. In the US, any record, American or not, is marketed over an area five times the size of the UK with one coherent campaign. The potential for cost savings is clear.

The British record industry has always budgeted on the basis of UK sales alone and then entered into licensing agreements with foreign record companies for export. Even if we wanted to export directly to the US we could not - their very high import taxes mean it is not feasible, a situation your advocacy of the abolition of import controls in the other direction, into Britain, fails to take into account.

John Deacon,
The British Phonographic
Industry,
23 Savile Row,
London W1X 1AA



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ability of the indigenous record industries to produce a wide variety of product for the home market. The USA, just as much as smaller territories, have very severe and rigorously enforced regulations covering foreign imports. Only last year were turned away at the American border because they were not of American manufacture. While the US authorities have no intention of abolishing their own restrictions - and they don't - it would be disastrous to dispense with our own. At present, record companies grant licenses covering the use of their rights to foreign companies on a territory-by-territory basis and artists are sometimes signed to different labels in different territories. The absence of import controls in the UK alone handicaps British record companies in their own

domestic market, while their competitors continue to enjoy full protection.

The first to suffer will be the independents, both record companies and retailers. Cheap overseas recordings will push the companies out of business, while retailers without American operations through which they can purchase and re-export stock - all but HMV and WH Smith - will be severely disadvantaged.

Import controls are fundamental to the exploitation of intellectual property rights in music. Their abolition here would deprive the UK of the creative and independent seedbed from which the British record industry has, up till now, flourished.

Alison Wenham,
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FINANCIAL TIMES

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Monday May 10 1993

Taking chances for peace

While the attention of the US and Europe is focused on the former states of Yugoslavia and the Soviet Union, the Middle East peace process is suffering. Eighteen months after the inaugural meeting in Madrid, the five teams of negotiators have yet to report progress on any matters of substance, no sense of momentum has developed, and the enemies of compromise are gaining strength.

Optimism stems mainly from the fact that talks are continuing, and no participant wishes to bear the responsibility for ending the process. But there is increasing recognition among the Arab delegations and among US officials that domestic pressures on the participants could eventually impose a *breaking point*. This is particularly the case for the Palestinians. Whatever misjudgements and lost opportunities can be blamed on them in the past, they have come to the negotiating table as supplicants.

Much of what was demanded of the Palestine Liberation Organisation by the international community has been conceded. Mr Yasser Arafat is a pale shadow of the man who once ruled part of Lebanon and dreamed of the military liberation of Palestine. Syria has retained more of its political clout, but it, too, has been forced to accept that it will only regain the Golan Heights, which it lost in 1967, by negotiating a full peace with Israel. Jordan and Lebanon acknowledge that their outstanding issues with Israel can only be resolved in the context of an agreement between Israel, the Syrians and the Palestinians.

Take the risks

It is understandably difficult for Israel to adjust to the enormity of those changes, precisely because it is the Jewish state which has to take the risks involved in the sincerity of its Arab neighbours. It is tempting for a cautious political leadership to conclude that the diminution of the military threat to Israel allows it to be less forthcoming at the negotiating table. That certainly was the view of the last Likud government under Mr Yitzhak Shamir. Mr Yitzhak Rabin, his Labour successor as prime minister, appeared to promise much more. He campaigned on the pledge to secure an

Tecs in a tangle

MINISTERS should look hard at the FT's survey of Training and Enterprise Council directors, published today. It shows that these 1,220 individuals are committed to the progress of their organisations, but unhappy about the Tec's relationship with government and in a fearful muddle about priority.

These findings are not difficult to explain. When it started setting up the Tecs three years ago, the government's official prospectus defined their task as "to reskill the workforce and stimulate business growth".

It said the weighty task of running existing government programmes for the unemployed and young people would be "a foundation" from which local leaders would "assess economic and social needs, set priorities for action and direct resources accordingly." This was the pitch that attracted an impressive crop of business leaders across the country to serve on Tec boards, alongside officials from the public sector and trades unions.

The reality has been that the Tecs have struggled to run these schemes, at a time of rising unemployment and constrained public spending. They have felt hemmed in, overburdened and subject to stifling bureaucratic oversight. This is why over 80 per cent of Tec directors say that their top priority is either local economic regeneration or in-company training rather than running the schemes.

Denied freedom

Two striking ironies occur. The first is that of the Tecs' budget this year of £2.3bn, £1.8bn will go on these programmes. The Tecs are thus being paid huge sums of money to do a task they do not much like, while being denied freedom and funds to get on with the things their leaders think are most important.

The second irony is that much to the Tec's irritation, the government continues to encourage a proliferation of other types of agencies to stimulate economic regeneration. Two have been formed in London in the last six months, even though the capital has no fewer than nine Tecs.

interim agreement with the Palestinians within nine months and their senior colleagues stressed their willingness to withdraw from Gaza, most of the West Bank and most, possibly all, of Golan.

Under occupation

The collapse of Mr Rabin's timetable can be explained by his excessive caution, the limitations of coalition government, and the obvious fact that the peace process does not exist in a Washington vacuum. The Palestinian negotiators and their families live under occupation. Their legitimacy as leaders rests on their ability to ease living conditions in the territories, and in moving towards Palestinian self-determination. This has so far been denied to them in negotiations giving their radical opponents, essentially Hamas and Islamic Jihad, the chance to set the political agenda.

Although the goal of open competition is all but agreed, the path ahead is littered with obstacles. As Mr Carpenter says: "I don't know a member state or an operator which has said we shouldn't liberalise. The question is when, and how."

For the Commission, the answer to the first part of the question is relatively simple: January 1 1998. That is the date set in its recent communication to telecoms ministers for full liberalisation of all telecoms services, including international and domestic telephone calls. Talks with 130 companies, regulators, national governments and users convinced the Commission that an intermediate step - opening all EC cross-border calls to competition - would be superfluous.

Instead, over the next three years the Commission wants to:

- accelerate adoption of existing technical proposals, which would liberalise satellite communications and lay the groundwork for licensing and granting fair access to new telecoms operators;
- study how alternative networks, such as cable television, railways, or electricity grids, could be used for telecoms services;
- study the thorny issue of allowing companies to establish their own networks to compete with the existing infrastructure.

These measures should open the way, over the following two years, for the Commission to press for full liberalisation of the market for "voice" traffic using existing infrastructure.

Further liberalisation would then depend on the outcome of the Commission's studies, but rapid expansion and diversification of the telecoms market will provide a momentum of its own. A recent survey of the industry by Daiwa Institute of Research predicted that telecoms would be "Europe's fastest growing major industry in the 1990s", with annual growth averaging 6.5 per cent and the sector constituting 4.5 per cent of gross domestic product by 2000 - twice the 1991 figure.

It is too early for a stand-off over the proposals in today's council. But when the scrapping begins, as it is bound to, the UK will be the most pro-liberal party, gleaned some support from Denmark and the Netherlands. The Danes, who should begin to liberalise their telecoms services next year and hold the EC's presidency until July, are keen to push the legislative process along. They have already scheduled a second meeting of telecoms ministers.

Compound the muddle

These are some of the questions ministers need to address:

1. How can responsibility for business advice, inward investment and local economic regeneration be rationalised at the local level? Mr Michael Heseltine's programme of one-stop shops will, on present plans, take years to implement.
2. How can Whitchurch better co-ordinate its own efforts on training? Divisions between the departments of education, employment and trade and industry continue to compound the muddle and to make government a weak advocate for "partnership" among competing local interests. It is notable that this problem is much less serious in Scotland, where the Scottish Office provides the necessary co-ordination.
3. What is to be done about the evident need (also highlighted in the survey) for greater national co-ordination of the Tec's views and objectives? There is still a woeful inability at the national level to measure Britain's skills gaps and to plan to fill them.
4. Are Tecs, as currently constituted, the right bodies to run training schemes for the unemployed?

At their best, the Tecs are emerging as dynamic local agencies, fostering the partnership upon which government rightly sets much store. But there is now a serious danger that having engaged the interest of business leaders, government is failing to follow through.

It was an insight of the Thatcher years that government should not try to do business's job. There is currently a risk that the opposite fallacy will become entrenched - that business is able to do the government's job. If the government does not recognise its responsibilities, the still tender plant of the Tecs will run to seed.

Far from leaving the company chanting *Buddy can you spare a*

ben European Community telecommunications ministers sit down today in Brussels for their first discussion of plans to open all EC telephone calls to competition, they will agree on one thing: liberalisation of the Ecu10bn (£97bn) market for telecoms services is inevitable.

Technological advances, pressure from powerful non-EC operators, the advent of the single market, the influence of privatisation and other measures to distance telecoms monopolies from governments are making the process virtually irreversible.

Acceptance of the goal of liberalisation is already a great change of heart for many governments and state telecoms monopolies, nervous about the destabilising forces such a move might unleash.

Only two years ago, France, Belgium, Spain and Italy were mounting unsuccessful challenges to the Commission's powers to liberalise the markets for telecoms equipment and specialised services in the European Court of Justice. Mr Michel Carpenter, head of the Commission's telecoms directorate, says even those early achievements would have been inconceivable when he took over the department in 1983.

Now, those same countries are realising sympathetically at a Commission plan which would allow private operators - including non-EC operators, provided they open their own markets to competition - to compete within EC states on equal terms with the former telecoms monopolies.

Although the goal of open competition is all but agreed, the path ahead is littered with obstacles. As Mr Carpenter says: "Liberalise, yes, but only on condition that it benefits the operators. If we go too quickly, it isn't European operators who will draw the advantages but private outsiders such as AT&T of the US."

Mr Karel Van Miert, the Belgian socialist in charge of competition at the Commission, and Mr Martin Bangemann, the industry commissioner, are anxious to avoid being labelled uncompromising liberals, sacrificing standards and financial stability to the free market. They will urge telecoms ministers to make the safeguarding of a reliable and affordable universal service a prerequisite for liberalisation and they will propose that countries with less developed networks get an extra two years at least to catch up with their wealthier partners. That concession will be welcomed by the poorer member states, which stand to gain from EC funding to upgrade their telephone networks.

Mr Carpenter regards the Commission's 1998 timetable as ambitious, noting that five years is "not long" for state telecoms companies to adjust; but he sees the Commission's proposals as at least a signal of what could be done if operators, users and governments co-operate.

"The machine has been started up and it's started under the best conditions because the consultations have produced a great political and technical consensus."

The main worry of the state-owned operators is that even if they are ready to face fiercer competition from 1998, they will not be adequately compensated, through charges for access to their public networks, for having to maintain a service for all comers.

Deutsche Telekom, for example, is committed to completing a DM60bn programme of infrastructure investment in eastern Germany over the next four years. It believes early competition on international and long-distance calls could undermine the traditional cross-subsidisation of local calls.

France Telecom, in spite of its own lead in the liberalisation of specialised services, argues that the public operators must be given sufficient time to adapt their tariff structures to the rigours of a free market, and be able to fix realistic access charges.

British Telecom and Cable and Wireless, the UK's leading operators, are the most ardent advocates of liberalisation among EC operators. They criticise the Commission for timidity: in particular, they want to see competition extended from voice traffic to infrastructure, enhancing the capacity of companies to compete on service range and quality.

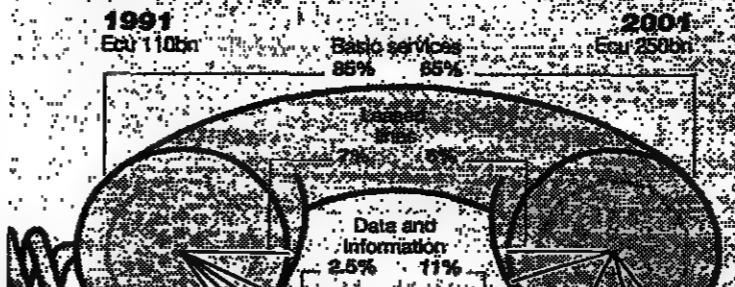
Mr Iain Vallance, BT chairman, says: "Telecommunications monopolies are a dangerous anachronism in the fast-moving and increasingly world-scale markets of the 1990s. Urgent remedial action is required." BT's stance is a marriage of consumer and self-interest. A decade

Lifting the lid on liberalisation

Andrew Adonis and Andrew Hill examine European Commission plans to open up the telecommunications market

Dial 'C' for competition

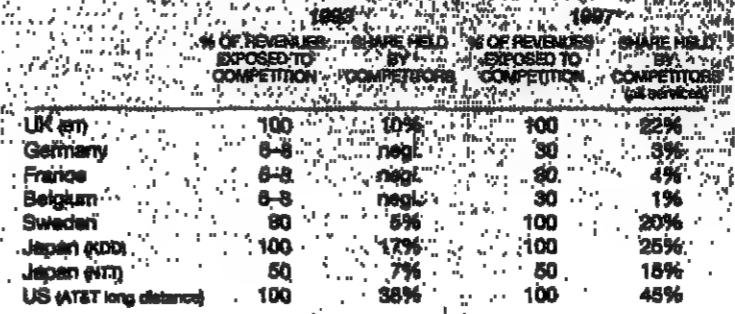
Telecommunications growth potential within Europe



EU/Scandinavian telecoms operators

DUOTEL COMPANIES	STATE-OWNED CORPORATIONS	AUTONOMOUS ENTITIES WITHIN STATE STRUCTURE
UK	Sweden from July 93	Germany
Spain	Denmark	Belgium
Italy	Greece	France
	Ireland	Luxembourg
	Holland	Norway
	Finland	Portugal

Telecommunications competition: progress compared



after privatisation, the UK company is no stranger to the market, or to regulators seeking to mimic market pressures.

Ofte, Britain's telecoms watchdog, is the UK's prototype independent utility regulator, assertive from the outset; while Cable and Wireless, a long-time international operator licensed in 1984 to compete

Although the goal of open competition in Europe is all but agreed, the path ahead is littered with obstacles

against BT at home, swiftly established Mercury in the UK business market. It now claims a 10 per cent share of the business and residential market, combined with a network able to reach most of the country. Hard on its heels are cable TV companies offering local data and telephony services. Barely a year after the cable companies entered the field, 30 suppliers have nearly 150,000 lines installed between them.

Following liberalisation, BT is confident it could win market share from its European counterparts. But it is not only targeting their existing business. It has ambitious plans to use leased lines, new technology and its own network to make itself a leader in "global outsourcing" - offering international companies "one-stop" contracts for phone, data, maintenance and other value-added network services. BT has a fledgling network management company, Syncordia, and is battling with AT&T for direct access to the US public network.

The UK's experience begs the question: does privatisation - or, at least, the conversion of telecoms companies to autonomous entities within the state structure - itself act as a motor for liberalisation?

The question is pertinent, for the demise of Europe's old-style, state-owned posts and telecoms operators (PTOs) is nigh. Just four years ago almost all Europe's PTOs were run by government departments, their operations and finances under direct ministerial supervision. Since then, most have been - or are being converted into state-owned limited companies. Pressure for full privatisation is mounting.

Political economists generally

regard the two as linked. Once governments stop treating PTOs as pots of gold and start putting their managers at arm's length, goes the argument, they more readily perceive the wider benefits of competition.

The Spanish case - where privately-owned Telefonica has retained a monopoly over basic voice services - does not easily fit this mould. But other recent experience tends to do so. Not just in Britain and the US; radical changes currently under way in Finland also show liberalisation going hand in hand with a determined loosening of government ties. Since Finland's reforms could result in Europe's most competitive market in fixed-line "voice" services, they will be followed closely in the EC.

Six years ago the Finnish government separated the regulatory and operational functions of its communications ministry and liberalised the equipment and value-added sectors of its telecoms industry. In 1990, the country's PTO was turned into a "state enterprise", its finances separated from the state budget. Legislation is now before the Finnish parliament to convert the PTO into a limited company. Initially it will be wholly state-owned, but privatisation is likely before long.

From next January, Finland will have a fully functioning duopoly in local and trunk calls. Its 49 private regional companies, which service local calls for about two-thirds of Finnish subscribers, have formed a single company which has been licensed to compete with Telecom Finland (TF) on trunk routes on its own network. Last week it applied to compete on international calls too.

For its part, TF has been licensed to compete on local calls throughout the country. To reduce cross-subsidisation, it is likely for the first time to start adjusting tariffs between regions to reflect costs, as do the private operators at the moment.

Is that politically controversial? (The Commission's communication note, talks of "special arrangements and transitional periods for the peripheral regions and countries with small and less developed networks"). "The government has taken the risk, and they will have to provide subsidies if they are unhappy - we are not going to do so," says Mr Mikko Pirinen, TF's consumer services director.

The past three years have also seen TF expand overseas in unprecedented fashion. It is part of a consortium to establish a new fixed network for Estonia, and is engaged in numerous joint ventures in other Baltic states and north-western Russia.

Such cross-border activity will flourish across Europe as privatisation advances. Since most governments remain opposed to their telecoms companies falling into foreign hands, it will mainly take the form of partnerships and joint ventures. The Greek government, for instance, is keen to sell up to 49 per cent of its state telecom company's equity, most of it to an overseas operator prepared to provide management skills and substantial investment.

There and elsewhere, even in rich states such as Germany, the need for investment is the motor behind privatisation. It is already happening in the Asia Pacific region, where Salomon brothers estimate that companies with a total capitalisation in excess of \$50bn (£33bn) are likely to seek equity floatations within the next three years, initially yielding more than £10bn (20.6bn) in new investment.

Analysts talk of a telecoms industry by 2,000 in which five or so "super carriers" provide network management for global business, with fierce competition, especially in the local loop, between mobile, fixed-wire and cable carriers.

Sir John Hicks, the Nobel economics laureate, famously remarked that the greatest monopoly profit is the quiet life. For Europe's telecoms monopolists, there will be no more peace.

OBSERVER



Now the recession's over we don't need a social chapter

would need to save the whole of his or her pay for 500 years to afford such a model at almost £58,000.

Some consolation

■ Asif Nadir may not have many assets to which he can lay claim at the moment. But since jumping bail, he has perhaps done something to benefit Polly Peck's creditors and shareholders.

It can hardly be pure coincidence that the venue from which he conducted his press conference for the world's media on Friday was Cyprus's Jasmine Court hotel, and since his appearance was postponed several times, the

assembled hacks no doubt took solace in increasing the bar takings.

Oddly enough, it appears by a company in which the administrators of Polly Peck are claiming a controlling interest.

INSIDE

Russia poised for first treasury bill issue

Russia is to proceed with its first treasury bill issue on May 18 following several postponements. The issue will mark the start of a plan to finance Russia's enormous budget deficit without printing money. Russia's worth of three-month treasury bills will be sold at a discount likely to produce a 100 per cent annual yield, said Andrei Kozlov, the central bank official handling the issue. He said that Russian commercial banks and exporters would benefit from instant liquidity. Page 17

Brazilians rush to the Euromarket

Brazilian banks and companies have put last year's impeachment of President Fernando Collor (left) behind them in a rush back to the Euromarket to take advantage of relatively attractive interest rates. So far this year, 22 banks and companies have raised more than \$1.4bn through issuing Eurombonds. For investors, it is a rare opportunity to earn 11 to 14 per cent per annum at a time when US interest rates are at an historic low. Page 19

Drew applies for a listing

Drew Scientific Group, a UK manufacturer of machines that allow doctors to monitor the management of diabetes, is applying for a stock market quotation. It will join later this month through a placing of some 30 per cent of its shares, valuing the Chiswick-based group at about £25m. Drew Scientific's main product, the Gycoset, is an automated analytical instrument capable of monitoring large numbers of blood samples. It is now making instruments for a larger market that needs tests for the level of glycated haemoglobin in blood. Page 16

Santander makes Portuguese bid

Banco Santander, the big Spanish private bank, has launched a takeover bid for the 75 per cent of Portugal's Banco de Comercio e Indústria it does not already own. A spokesman for Santander estimated the bid to be worth a maximum of £18bn. Page 17

Prospective p/e ratio

The latest prospective p/e ratio for the "500" Index for calendar 1993 is 14.3, according to IBEF, the consensus estimates service (last week: 14.5). This compares with an IBEF estimated p/e for the "500" of 18.3 (18.6) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 17.70 (17.6).

Market Statistics

Base lending rates	25	London inter bank	25-27
FT-A World indices	25	Managed fund services	22-25
FT/ASMA Int bank svc	15	Money markets	15
Foreign exchange	25	New int bank rates	15
London recent issues	25	World stock mkt indices	15

Companies in this issue

Atria	18	BT Group	18
BDA Holdings	18	BT Services	18
BIS	18	Motorola Group	18
Baring Stage Emerging	18	Nynex Corporation	18
Cooper Clarke	18	OGC International	18
Drew Scientific	18	Ossory Estates	18
		RadioTrust	18

MR Yegor Gaidar, the former Russian prime minister, concluded three lectures at the London School of Economics last week with an upbeat message which left his audience of economists, academics and businessmen with the impression that Russia has found a new Stolypin.

"If we can maintain political stability, Russia will continue to be a very poor country into the 21st century. But it will also be one of the most dynamically developing markets in the world, in which western businessmen will fail to participate at their peril," the 36-year-old economist and former journalist predicted in his fluent but heavily accented English.

With the slogan "order, then reform" Pyotr Stolypin, Russia's last great reforming prime minister, picked up the pieces after the failed 1905 revolution. He set out to create a prosperous peasantry and a stable middle class and so underpin Russia's transformation into a modern constitutional monarchy. Tragically, he died from an assassin's bullet in 1911.

Russia's current reformers faced a similar task as they sought to fill the vacuum created by the failure of the August 1991 attempt to restore the old Soviet power structure. They moved to cut bloated military spending by 70 per cent, started to tackle an inflationary monetary overhang and opted for rapid mass privatisation as the main instrument of socio-economic transformation.

Stolypin, whose readiness to jail or execute violent opponents led to the gallows being nicknamed the "Stolypin necktie", took a tough line with those in the way of his reforms. By contrast, Gaidar, identified as the arch-reformer by conservatives, was sacrificed by Boris Yeltsin to quieten the baying of the anti-reform lobby.

Gaidar's explanation for what went wrong harked back to the previous spring and the trouble zone sparked off a flood of money from the Russian central bank to bail out Russian enterprises, he explained.

In December, Mr Gaidar was replaced as prime minister by Mr Viktor Chernomyrdin, a typical Soviet era enterprise manager, and the flow of easy credits to enterprises resumed. At this point, Gaidar explained, all that remained of the reform programme was the momentum behind the privatisation programme and the determination of the reformers still in the government to try to regain control over the money supply.

Four months later, however, the referendum vote showed strong support for continuing the reforms. Gaidar believes the result shows that the close relationship between easy credit and higher prices is now

better understood. He also believes that the start of the biggest mass privatisation programme ever seen has swung many enterprise managers and sceptical workers into the reform camp.

"The change of attitude has been dramatic," he said. "Last spring factory managers combined against the government, clamouring for easy credit. By autumn there was a clear divide between those nostalgic for the old days of easy credit and state orders and the younger, more energetic managers who saw their future as the heads of big private companies, competing with western companies and enjoying a high standard of living."

As for workers, he added, "they used to complain about high prices and low wages. By September they were asking what should we do with our vouchers and is the management plan for the future of our factory sensible, or are they fooling us?"

The reformers got close to restoring confidence in the rubble in early 1992, by eliminating the inherited budget deficit of nearly 20 per cent of GDP. But the lack of customs posts and tax collectors and inability to control the spending of republics like Ukraine inside

Russia city. People are suffering from higher prices and corruption and face the prospect of rising unemployment. But there are enormous opportunities, especially for the young and energetic, to earn good money. People no longer have to travel 1,000km to Moscow to buy a terrible salami sausage, or wait hours in line for bread, milk or meat. They can even buy luxuries which they never imagined would appear in their shops - like bananas," he said.

This is the optimistic, post-referendum perspective. The picture looked less rosy last December when Mr Gaidar, identified as the arch-reformer by conservatives, was sacrificed by Boris Yeltsin to quieten the baying of the anti-reform lobby.

Gaidar's explanation for what went wrong harked back to the previous spring and

the summer when Russia had been hit by a flood of easy credits issued by Ukraine. This re-privatised shares to enterprise managers and created a near universal opposition to reform and a universal demand for the printing of more money.

The reformers got close to

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embolments of £6,121,300.

Mr Wood said in an interview with the Financial Times that he hoped to enter talks with the bank before its September year-end on a buy-out of his contract, agreed in 1988 when he sold it his 25 per cent stake in Direct Line.

If Mr Wood exchanged his bonus contract for Royal Bank equity, it would diminish speculation that he will press for a separate flotation of the Direct Line business, which he founded in 1985 with financial backing from the bank.

Mr Wood already holds more shares of Royal Bank than any of its other board

directors. He had a stake of 334,610 ordinary shares at the end of 1992, which is worth £993,400 at the bank's share price of 26p on Friday.

Mr Wood said he could not predict the outcome of talks, but he believed his bonus contract was worth between 1 and 2 per cent of Royal Bank's £2.1bn market capitalisation, which would give him a stake of between £21m and £22m.

He said he believed there would still be larger family shareholdings in Royal Bank. The biggest institutional holders in 1992 were Banco de Santander, with 9.99 per cent, and Scottish Equitable Life

Assurance, with 5.24 per cent.

Mr Wood said he was keen to change his contract because the fact that he was getting cash in return for giving up Direct Line meant his pay arrangement was "distorted" and attracted public attention he would prefer to avoid.

Although there has been speculation over whether Mr Wood fits comfortably into Royal Bank, he said he was happy to work with its chief executive Mr George Mathewson, and it was now logical to consider alternatives to flotation.

Direct Line was last week disclosed to have trebled first-half profits to £15m.

Wood seeks to swap pay for RBS equity

By John Gapper

Richard Waters and Norma Cohen report on the fight against insider dealing

Invisible enemy defies the City sleuths

Investigations and prosecutions for insider dealing



Mike Feitham: hampered

to use the opportunity presented by the implementation of the UK's Insider Dealing Directive in UK law to step up the fight against insider dealing. Prompted by the EC directive, the new legislation, included in the Criminal Justice Bill, may make a marginal difference to the fight against the crime: the need for prosecutors to establish a "connection" between the insider dealer and the company whose shares are traded will be abolished.

The exchange's complaints have fallen on deaf ears at the Treasury, where an official said: "It is very easy to come up with panaceas - an insider dealing tribunal, a change in the burden of proof, a new central agency. But the central difficulty is to establish that someone actually possessed inside information. It is easy to have the suspicion."

On this point, all agree. The rumour that sweep the stock market can take share prices up or down sharply. "A lot of those movements are market manipulation rather than insider dealing," said Mr Mike Feitham, head of the exchange's insider dealing group.

A central agency - perhaps the Securities and Investments Board - should be invested with all the powers and resources necessary to do the job, he says.

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Despite this, listed companies have valued most, for their well-timed tips, not their analysis. The well-publicised insider dealing cases of the late 1980s in the US and UK changed all that, prompting securities and investment management firms to introduce and enforce tougher dealing rules on their staff.

Also, companies and their advisers are coming under greater pressure to keep information secret, and to publish price-sensitive information promptly.

The exchange says it has been concerned at the leaking of information to Sunday newspapers and has called in a number of chairmen of listed companies in recent months. These tickings-off have been done in the way the City likes best - in secret - but the exchange threatens it may make cases public in future.

The conviction in March of Mr Thorold Mackie, the Edinburgh-based stockbroker fined for advising his clients to trade in the shares of Shanks & McEwan, also sprung in part from a tip-off in publication. He was told of a possible profits warning at the company two weeks before it was published to the stock market.

As the Treasury official says:

"More pressure should be put on companies to get information out to the market quickly." And a fund manager adds: "The minute a material development is known, the company should be required to disclose it to all shareholders." After all, if there was less inside information, there would be less insider dealing.

Berisford in profit after three years of losses

By Maggie Urry

BERISFORD International, the property and agribusiness group which on Friday saw its £154m offer for C&J Clark turned down by the shoe company's shareholders, will today announce a return to profits after three years of losses. It is likely to reiterate plans to buy other businesses.

Interim results are not likely to include the costs of the abortive offer for Clark's. These are thought to be well under £1m, with many advisers' fees geared to success.

Clark's costs may be much higher. Its merchant bank, Schroders, held a full-scale international auction for the company approaching more than 40 possible bidders after shareholders agreed last October to seek a buyer.

Schroders, whose position has been questioned after Friday's shareholder vote to keep the group independent, said yesterday it foresaw a continuing relationship with Clark's.

Questions hang over the future of Clark's chairman, Mr Walter Dickson, and six other directors. Attempts to oust Mr Dickson last October could be repeated, although on Friday shareholders promised to end the disharmony which has bedevilled the company.

Berisford is expected to show a small pre-tax profit for the six months to end March. This is thought to have come from asset sales rather than trading. Operations are likely to have shown a small loss.

In the comparable period Berisford lost £57.4m before tax on an FRS 3 basis, after £49.2m of provisions.

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COMPANIES AND FINANCE

Drew Scientific valued at £25m

By Richard Gourlay

DREW Scientific Group, which makes machines that allow doctors to monitor the management of diabetes, is joining the rush for a market quotation.

It is set to join the stock market later this month through a placing of some 30 per cent of its shares, putting a value on the whole of this Chiswick-based group of about £25m.

Formed by Mr Keith Drew, a former submarine lieutenant in the Royal Navy, the group has evolved in the last five years from work screening blood for sickle-cell anaemia carried out with the Institute of Child Health, an affiliate of Great Ormond Street Hospital.

The placing is expected to be priced at about 110p, to raise £7m, of which £4m will be used

for development of the group which has so far grown from internally generated resources and a small overdraft.

Mr Drew and his family, which currently holds just over 50 per cent of the shares, will raise £1.5m through share sales and will be left with just under 30 per cent of the group.

In the year to March the group made a pre-tax profit of £151,000 on sales of £1.7m. It is currently producing 40 machines a month - retalling at up to £15,000 - and the packs of consumables required for each test, and could make profits of up to £2m, giving earnings per share of 5.8p assuming a low tax charge.

The new issue precedes flotation of a similar diagnostic instrument company, Anagen, for mid-June although that

is still developing its product and has made no sales.

Drew Scientific's main product, the Glycomat, is an automated analytical instrument capable of monitoring large numbers of blood samples. It is now making instruments for a larger market that needs tests for the level of glycated haemoglobin in blood.

So far Drew has sold only 275 machines. But it claims "considerable potential for rapid growth" after it received Food and Drug Administration approval to sell in the US and launched its main Glycomat product there in December.

Competition for the system comes from traditional electrophoresis methods, which are much cheaper but also more time consuming. Other competition is High Performance Li-

uid Chromatography, which unlike the Drew system requires high pressures. The main producers of this are a Californian company, Bio Rad, and Daichi of Japan.

Drew has given worldwide distribution rights to Ciba-Geigy, a subsidiary of Ciba-Geigy, and also European rights to IL of Milan.

Mr Drew says the group wanted a sounder base for development given the intentions to market a new, smaller instrument to a wider market later in the year.

It also needed to move from manufacturing "cottage industry" style in Chiswick to a full manufacturing base in Cumbria. "We have done alright but we have fresh markets to go for particularly in the US and in Japan," Mr Drew said.

NEWS DIGEST

Revamped Maddox over £1m

AFTER returning to the black at midway, Maddox Group finished the 1992 year with a pre-tax profit of £1.1m from turnover of £24m. Included in the profit was a £491,000 exceptional credit.

In the second half Cables and Flexibles and Seacoast Electric suffered a significant reduction in activity and substantially poorer results than expected. Hence the decision to sell them.

Wakebourne, the computer and maintenance support business acquired last August, matched expectations and made significant contributions to profits.

Operating profit before central costs came to £1.36m. Walkbourne accounted for £906,000, C&F £387,000 and Seacoast £233,000 for the period March to September, and other businesses incurred losses of £155,000.

Earnings per share came to 0.39p, against losses of 1.43p in the previous nine months on a pre-tax deficit of £211,000.

Assuming shareholders approve the sale of C&F and Seacoast the main business of the group in 1993 will be focused on the information technology support sector.

In the first four months of 1993 Wakebourne's profits were ahead of budget, and Computer Profiles, a UNIX based systems development business acquired in February, was already contributing to group performance.

BDA takes in £1.2m exceptional charges

After an exceptional £1.2m against the carrying values of its stock and work, BDA Holdings incurred a loss of £1.16m in the year ended January 31.

In the previous year this group of quantity surveyors, architects and construction management consultants, was just in the black at £18,000.

Mr Brian Duker, chairman, said in the review of properties the value of the head office in Chingford was cut by £300,000. This was offset against the valuation reserve.

Turnover was £1.33m (£1.89m) and losses per share worked through at 6.4p (earns 0.1p).

Cooper Clarke hit by bad debts

For the year 1992 Cooper Clarke, builders' merchant and distributor of specialised products, made a pre-tax profit of £300,000 from £23.6m turnover.

The 1991 period was for eight months only, and that produced a profit of £128,000 from

sales of £13.2m.

Mr Peter Clarke, chairman, said the company had been hit by bad debts of £316,000 in the year despite close control of credit management. Intense competition again squeezed margins.

After a substantially higher tax charge earnings per share for the year came to 2.8p (4.1p for the period).

Baring Securities Emerging Markets

The Baring Securities Emerging Markets Index Tracker Fund has launched a placing of up to 10,000 ordinary shares at £10.50 each. The placing has not been underwritten and no shares will be allotted unless subscriptions have been received for a minimum 5m shares.

The net proceeds, assuming maximum subscription, will amount to £100m (£64.9m) and will be invested in sample portfolio of the equity securities of companies whose shares make up the Baring Securities Emerging Markets Index.

Radiotrust value starts picking up

Reflecting the continuing difficult trading conditions, net asset value of Radiotrust at January 31 had fallen to 48.5p, compared with 49.9p six months earlier and with 50.2p at end January 1992.

Since then, however, it had edged upwards as signs of the ending of the recession had begun to appear, the directors said.

In the year ended January 31 1993 income totalled £113,000 (£127,000) but there was a net loss of £22,000 (£26,000), equal to 0.25p (0.3p) per share.

The current year promised to be "more stimulating" than the last two as the recession faded and advertising revenues began to climb, the directors claimed.

Atreus subsidiaries meet expectations

Atreus, the shower screen and mirror supplier which obtained a listing in March via the reverse takeover of URS International, has announced results of its trading subsidiaries for the year to January 31.

The subsidiaries, the DB (UK) group, achieved pre-tax profits of £1.1m compared with the estimated £1.1m given in the listing document. Turnover was £6.23m against the estimated £6.18m.

Atreus, which has a March 31 year end, acquired DB for £5.5m in loan notes and shares on March 26 1992 and at the same sold URS to Howmac for £1. Results of the enlarged group for the half year to September 30 will be published in December.

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Ossory talks may lead to restructuring

By Paul Taylor

OSSORY Estates, the property group, is negotiating with its 30 banks for a new medium term loan agreement embracing all of its £100m of debt, and that could lead to a capital reconstruction and the raising of fresh capital.

That would take the business forward and back to profitability, the directors claimed.

Several banks are being asked to convert non-performing debt into equity. Since the breaches of bank covenants arose last September the company has ensured no bank has pursued its security.

Part of the reconstruction would include creditors in the Skelmersdale concourse project converting their debt into equity. Ossory lost the High Court action regarding the fire there, and creditors for £1m will not be reimbursed by the insurers but become a direct liability of the group.

In the half year ended December 31 1992 the group incurred a pre-tax loss of £17.4m, against a profit of £1.52m. At the operating level, the group achieved a substantial reduction in overheads and tackled several inherent management problems.

However, £28.54m has been provided against property valuations and £5m for extraordinary interest costs to cover converting the fixed rate preference shares into a variable rate instrument. But that was potentially recoverable.

Losses per share were 21.82p (0.63p).

In the year 1991-92 the group wrote £22.7m off investments and properties, and finished with a loss of £241.8m.

EIT placed into administration

By Paul Taylor

continued rationalisation costs at Sintrom, reported a sharp increase in pre-tax losses from £99,000 to £560,000 for the half year ended September 30 1992.

Trading in the period had been "satisfactory" taking into account the economic climate, the directors said. The group supplies and supports computer software for communications systems.

With the benefit of acquisitions turnover went up from £1.25m to £2.6m, but operating expenses outweighed the gross surplus for an operating deficit of £570,000 (£24,000).

Losses per share were 3p (1.05p).

Jarvis cash call as losses hit £3.7m

JARVIS, the construction and property group, has reported a £3.72m pre-tax loss for 1992 and announced a rights issue to raise £2.35m.

The issue of 18.07m new ordinary shares is on a one-for-one basis at 14p per share. Proceeds will be used to improve liquidity and gearing and to prepare the group for an expected recovery in its markets.

Irrevocable commitments to take up their entitlements have been received from shareholders holding 29.7 per cent of the existing equity.

The year's loss, compared with a £228,000 profit, and reflected problem contracts and redundancy and other closure costs, particularly within the building division. Turnover came to £29.1m; loss per share was 19.5p (earnings 0.8p) and the dividend has been omitted (0.575p).

Jarvis also announced that its subsidiary, Jarvis Estates, had contracted to sell for £1.05m two properties in Beaconsfield and Darlington to Jarvis Pensions, the trustee for the Jarvis Pension Scheme.

The rights issue has been underwritten by Mr Harvey Bard, the chairman and fellow director Mr Martin Reuben.

BIS returns to the black

By Alan Cane

used by 500 customers in 70 countries.

Some 46 per cent of total revenues come from banking software.

Mr Roger Graham, chairman and chief executive, said the turnaround to profit had been the result of cutting parts of the business that were unprofitable and improving quality and customer satisfaction.

There had been strong growth in sales to local and central government and to utilities. The group intended to compete strongly for a share in the government's market testing programme. Mr Graham said.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
American Express (US)	Nyman & Schulz (Sweden)	Travel	£73m	Biggest Amex buy in sector
Burns Philp (Australia)	British Pepper & Spices (UK)	Food	£25m	Total price for Hunter.
Burns Philp (Australia)	Euroma (Netherlands)	Food	n/a	...Saphir businesses
Thomas Cook (UK/Germany)	Marin Travel (Canada)	Travel	£11.3m</	

COMPANIES AND FINANCE

Russians set date for Rbs1bn issue

By Leyla Boultton in Moscow

THE RUSSIAN authorities plan to press ahead with their often-postponed first Treasury bill issue on May 18. The issue will be for Rbs1bn worth of three-month Treasury bills to make a start in financing the country's enormous budget deficit without printing money.

The Treasury bill market, however, will initially be closed to foreigners.

Mr Andrei Kozlov, the central bank official handling the issue, said the bills would be sold at a discount likely to produce a 100 per cent annual yield, well below inflation currently running at 1,100 per cent a year.

But he said that Russian commercial banks and exporters would have an incentive to buy the bills. It would be better than keeping huge amounts of vital cash to compensate for the fact that the Russian cen-

tral bank can take weeks or months to transfer money through its rickety payments system.

"We are promising instant liquidity," Mr Kozlov said.

The central bank also has a habit of hanging on to rapidly-depreciating roubles owed to exporters who have to sell 30 per cent of their hard currency earnings to it.

Mr Alexei Kuznetsov, acting chairman of Incombank, one of 20 official dealers, said the issue would be attractive if banks could hold part of their reserves in the form of treasury bills. The current reserve requirement is 20 per cent.

Mr Pavel Zhikharev, chairman of Sberbank, the country's nationwide savings bank, which until recently had its deposits simply appropriated by the government to help finance the budget deficit, said his bank was likely to buy the bills.



Boris Fyodorov: insisted on 'civilised' way to fund deficit

He added that this was on condition that the bills would indeed yield 100 per cent and not be subject to tax, as promised by the authorities.

Mr Kozlov has so far resisted

making this compulsory.

Sarrio blames KIO as profits tumble

By Tom Burns in Madrid

SARIO, the Spanish cardboard producer controlled by Italy's Saffa group, announced a sharp fall in net profits to Pta105m (\$90.6m) for 1992 from Pta2.7m.

The group said the blame lay solely with the Kuwait Investment Office.

Mr Carlo Bonomi, chairman, said Sarrio was owed Pta8.6m by Grupo Torras, KIO's investment arm in Spain, which bought Sarrio's special paper operations in February 1991.

Sarrio is suing Torras, as well as the KIO and the Kuwait Investment Authority, the investment office's controlling department, for non-payment on the transaction.

At the same time, Sarrio has been forced to provide against a fall in the value of shares in Torras-controlled companies it acquired as part payment on the deal.

Grupo Torras went into receivership at the end of last year. Mr Bonomi said Sarrio's results had been dramatically affected by the KIO.

Moody's downgrades NEC debt

By Michio Nakamoto

MOODY'S, the US credit rating agency, has downgraded the long-term debt rating of NEC, citing expectations that the Japanese electronics group's debt cover will deteriorate. The agency reduced its rating from A2 to A3.

NEC, a leading manufacturer of telecommunications, computers and semiconductors, faces increasing competition in many of its markets, Moody's said.

The group has seen the proportion of retained cash-flow to total debt fall to about half over the past several years.

While interest cover has fallen from three times to about one and a half. The company is also forecasting a substantial loss in the year to March 1993, so interest cover will fall further.

In the Japanese PC market, which NEC has dominated with its proprietary system, competition from US manufacturers is set to intensify with the spread of MS-Windows.

This new operating system will loosen NEC's hold on the market by challenging the predominance of its Japanese-language software that has been maintained due to its propriety system.

Moody's has also downgraded NEC's short-term debt ratings and the rating of NEC Industries Netherlands from P-1 to P-2.

Shanghai lets in foreign brokers

By Tony Walker in Beijing

THE Shanghai stock exchange has approved 23 foreign brokerage firms to deal directly in its B-share market.

These are shares denominated in US dollars and restricted to foreign investors.

Among the 23 approved securities houses are Merrill Lynch of France, Nomura International

of Japan and Sun Hung Kai of Hong Kong.

Mr Wu Yuhu, deputy chief manager of the exchange, said the foreign companies had been offered direct access - previously foreign securities firms were obliged to deal through a local affiliate - to meet the growing needs of overseas securities agencies.

Mr Wu said the presence of a foreign securities companies

would make transactions more competitive on the world market.

Trade in the B-share market has been flat recently, partly because foreign investors have been awaiting the listing on the Hong Kong exchange of select mainland companies.

Reservations about a lax regulatory environment in China are one of the factors deterring fund managers.

Spanish in Pta18bn Portuguese bank bid

By Stefan Wegsyl in New Delhi

BANCO Santander, one of Spain's biggest private banks, has launched a takeover bid for the 75 per cent of Portugal's Banco de Comercio e Industria it does not already own, AP-DJ reports from Madrid.

A spokesman for Santander

estimated the bid to be worth up to Pta18bn (\$155m).

Santander said the Portuguese bank's other overseas investors, the Royal Bank of Scotland with 15 per cent and Metropolitan Life Insurance with 3.6 per cent, have approved its offer.

The Spanish bank will pay Esc1,400 (\$9.53) a share for the bank, a 40 per cent premium over BCI's average share price in recent weeks. The bid must be approved by the Portuguese authorities.

Royal Bank of Scotland, Santander and BCI participate in a cross-border computer network with Crédit Commercial de France.

Santander and BRS also have a banking alliance with the Spanish bank holding 9.9 per cent of BRS and the Scottish bank holding a 2.6 per cent stake in Santander.

Mr Jose Sevilla, a banking analyst with Madrid brokerage FG Inversiones Bursatiles, said the move was in line with Santander's strategy in Portugal, where they are "pretty aggressive in terms of introducing new products."

Santander shares closed Pta10 down Friday at Pta10.

BCI operates in retail and investment banking, as well as corporate finance and leasing activities. It has expanded strongly in the past two years, increasing its branches to 86 from 25, with another 30 scheduled to open this year.

Assets rose 36 per cent in 1992 to Pta295bn, while deposits rose 40 per cent to Pta17.7m.

Net profit in 1992 reached Pta1.73bn, Santander said, without giving a year earlier figure.

Indian Airlines chief quits after row with ministry

By Stefan Wegsyl in New Delhi

INDIAN Airlines, the troubled state-owned carrier, has been thrown into confusion by the sudden resignation at the weekend of Mr L. Vasudev, the chairman and managing director.

Mr Vasudev's departure comes at a time when the airline has been widely criticised for its records on safety and strikes, and its heavy financial losses.

The immediate cause of Mr Vasudev's departure was a row between him and Mr Ghulam Nabi Azad, the aviation minister. In a letter, Mr Vasudev accused the ministry of "systematically undermining" his role as chief executive.

Mr Vasudev took office only

last July, when the chairmanship had been vacant for more than six months following the resignation of his predecessor over the handling of a pilots' strike in late 1991.

He also ran into trouble with the pilots who went on strike for higher pay in December 1992 during the peak season for foreign tourists and business travellers.

Mr Vasudev tried to break the strike by hiring Tupolev jets and crews from Uzbekistan Airlines. He wished to instill commercially-minded management practices into the airline, which is facing increasing competition from fledgling private carriers.

The attempt collapsed when a Tupolev crashed in January at New Delhi airport. No-one was seriously hurt, but the

government forced the airline to accept the pilots' demands.

However, in the last month, two Indian Airlines jets were hijacked, prompting an investigation into security standards, and 53 passengers were killed when another aircraft crashed at Aurangabad, in western India.

Accident investigators are examining whether the aircraft, an ageing Boeing 737, had been in fit condition to fly and whether it had been overloaded.

In his resignation letter, Mr Vasudev says the airline management's "abject surrender" in the strike led to "rank indiscipline" in the organisation and the "greatest casualty of indiscipline" was safety.

Altron ahead 11.5% at R103m

By Philip Gosselin in Johannesburg

ALTRON, the diversified electronics, information technology and power cables group, lifted attributable earnings in difficult operating conditions by 11.5 per cent to R103.3m (\$32.6m) in year to February from R93.7m a year earlier.

The best relative performance came from Flintech, the information technology arm, which lifted attributable earnings of introducing new products.

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Reisebüro Kuoni turns in 13.9% advance in sales

By Ian Rodger in Zurich

REISEBÜRO Kuoni, the Swiss travel group, said it looked forward to a "relatively satisfactory" result in 1993.

The group, in which the German retailer Kaufhof purchased a 50.1 per cent capital stake last year, reported that 1992 group sales rose by 13.9 per cent to SFr2.46bn (\$1.72bn) and net profits more than doubled to SFr48.9m from SFr21.3m.

ISS to make US purchase

By Hilary Barnes in Copenhagen

ISS, the Danish cleaning services and building maintenance group, is to acquire the US National Cleaning Group, controlled by the UK's Nu-Swift.

In turnover terms, the acquisition would probably rank as the biggest foreign acquisition ever made by a Danish company. ISS hopes the deal can be concluded in June, but no purchase price was disclosed.

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Dividend Notice

At the Annual General Meeting held on April 30, 1993, the shareholders decided the payment of a dividend of ECU 5.75 per share of the compartment ECU Bond Fund, payable on or after May 14, 1993 to shareholders on record on April 30, 1993 against surrender of coupon N° 2. The shares will be quoted ex-dividend as from April 30, 1993.

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The holders of 12% bonds 1993-1995 of CAD 1000 are advised that the general redemption will be on 1st June 1993.

The bonds will be redeemable at CAD 1000 at the following offer price:

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UK GILTS

Negative factors set to hold back upturn

ALONG with the green shoots often come some creepy crawlies. These thoughts bucked up the gilt market last week, as indications strengthened that any UK upturn will be held back by negative factors, such as high household debt and economic weakness across the rest of Europe.

Nervousness that the UK economy is still sickly was due partly to the belief that the US recovery might be slackening, a factor that would further depress export markets. Also, the latest money supply data indicated consumer spending might not be growing by as much as some economists believe.

These factors arrested the sharp decline in gilt prices that had been evident the week before. Yields at the short end fell up to 10 basis points on the week, with a corresponding increase in prices, while yields for longer-dated securities were little changed.

US MONEY AND CREDIT

Investors find the old rule holds true

THE OLD financial markets rule, "buy on the rumour, sell on the fact," held true last week when the US Treasury finally announced its long-awaited decision on restructuring the government's debt mix.

There had been plenty of buying on the rumours (which mostly predicted that the Treasury would decide that the best way to cut federal interest costs would be to issue fewer long bonds and more shorter-dated securities in future), and when the facts were released, there was an initial surge of excitement.

Prices, however, did not fall particularly far, as the selling was restricted by the fact that the rumours had proved well sourced, so there was no real element of surprise. The Treasury's plans consist of shortening the maturity on government debt by reducing the frequency of long bond auctions, eliminating the seven-year note and boosting issues of securities with a maturity of five years or less.

In all, the market's reaction was rather muddled. Bond investors examined the Treasury's planned changes, and, unsure what to make of it, quickly diverted their attention to other matters, such as the April employment report.

The Treasury's moves, however, deserve closer consideration than the market seems to have afforded them. Mr Joe Liro and Ms Mary Rooney of Warburg Securities in New York, made an interesting point in their instant analysis on the subject.

They pointed out that the Treasury's decision to place the emphasis of debt management on short-term financing gave the Federal Reserve an even greater role in determining the government's financing costs.

"Once the Federal Reserve embarks on a course of monetary restraint," they wrote, "short rates will come under pressure and Treasury financing costs will soar. If the Fed shows a reluctance to tighten when a policy of restraint is necessary, its anti-inflation credibility will be immediately called into question by the financial markets."

In other words, there will be more at stake than ever when the Fed decides to tighten its monetary policy.

Although the latest readings on the US economy suggest the strong pace of growth achieved at the tail end of 1992 is slackening, most economists expect interest rates to be up rather than down. They also expect the Fed to take precautionary measures designed to ensure inflationary pressures do not revive when business activity begins to hit its stride in late 1993 or 1994.

The shortening of the maturity on government debt, however, means that in future the Fed will have to consider carefully what effect its tightening of policy will have on the government's interest costs.

There was also an unhappiness with a politicisation of the debt management process. Analysts felt the government should be concentrating more of its energies on lowering the deficit, and less on lowering the interest costs of that deficit through, as Salomon Brothers called it, "a superficial reshuffling of Treasury debt priorities".

Generally, the Treasury's decision on the debt mix did not go down especially well on Wall Street. The consensus

is that the government was playing a dangerous game, betting its debt management policy on long-term interest rate movements.

At the core of the critics' complaints was the view that the shortening of maturities will make the federal debt more of a hostage to interest rate rises.

Mr Geoffrey Dennis, of James Capel in New York, said that with more debt maturing at an earlier stage the Treasury's changes mean a more rapid refinancing of already-issued debt will be required. "Should interest rates rise in the interim, this refinancing will become more expensive."

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ECONOMICS

Attention focuses on UK inflation

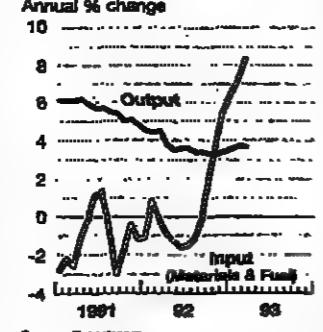
ATTENTION returns to UK inflation this week with today's release of the April producer prices index.

Input prices have shot up since the pound was devalued last autumn, putting pressure on manufacturers' profit margins. So far, however, industry appears to have absorbed most of the price increases for fuel and raw materials. This is reflected in the relative stability of the prices of goods leaving factory gates. Output price inflation has remained stable at a rate of around 3.5 per cent since the end of last year.

Economists have forecast some upwards movement in the output prices index for April as the increase in excise duties of the March budget, and higher food prices feed through. Input prices may ease slightly, reflecting sterling's appreciation during April.

Producer price inflation figures are also due out in the US. Prices are expected to have slowed quite sharply last month, following reductions in tobacco prices and air fares. To some extent these factors will be offset by higher prices for

UK producer prices



Source: Department of Trade & Industry

most agricultural commodities.

The release in Spain of quarterly unemployment survey data later this week is unlikely to provide much comfort for the hard-pressed government. In the fourth quarter of last year the survey showed that 20 per cent of the labour force was unemployed. Most economists expect the new figures to show a small rise.

The following are some of the week's other economic highlights. The figures in brackets are the median of

analysts' forecasts, supplied by MMS International, a financial information company.

Today: UK, March credit business (up 2.95%); April producer prices index - input (flat on month, up 7.7 per cent on year), output (up 0.5 per cent on month, up 3.9 per cent on year), food and drink and tobacco (up 2.7 per cent on year), Norway, April CPI. Canada, March new housing price index (up 0.1 per cent on month); April housing starts (160,000 units).

Tomorrow: US, Johnson Redbook week ended May 8. Australia, March retail trade (up 0.4 per cent on month, up 0.7 per cent on quarter).

Wednesday: US, April PPI (up 0.2 per cent), excluding food and energy (up 0.2 per cent), Atlanta Fed Index. Canada, April lead indicator (up 0.3 per cent on month). Australia, April employment (down 20,000), unemployment rate (11.1 per cent).

Thursday: France, April CPI (up 0.3 per cent on month, up 3.3 per cent on year). Spain, April CPI (up 0.3 per cent on month), April rate (17 per cent); March PPI. Japan, April WPI.

THE WEEK AHEAD

UK COMPANIES

■ TODAY

COMPANY MEETINGS: Argos, CIB Conference Centre, Centre Point, W, 11.15. Henderson Highland Trust, 3 Finbury Avenue, EC, 12.15. JMB Group, 25 Copthorne Avenue, EC, 12.15. Malco, 141 New Bond Street, W, 10.00. Merchants Ltd, 10 Fenchurch Street, EC, 12.20. Northern Engineering Inds, NE1 Newcastle, 2005-Tyrs, 10.00. Oilm Convertible Trust, Pollen House, 10-12 Cork Street, W, 12.30. Scottish Eastern Inv. Trust, Safric Court, 20 Castle Terrace, Edinburgh, 12.00. Second Market Inv., Norfolk House, 13 Savile Row, WC, 10.00. BOARD MEETINGS: Finalis, Contra-Cyclical Inv. Ltd, Finbury Avenue, EC, 11.00. Jason Retailer, Glasgow Income Inv. Blenheim Group, Dorchester Hotel, Park Lane, W, 9.00. Pilkington Inds, Merchant Taylors Hall, Mid-Glamorgan, 12.15. Plowman, Merchant Taylors Hall, Threadneedle Street, EC, 11.00. Cattell's (Hedge), Willerby Manor Hotel, Willerby Lane, Willerby, Hull, 12.30. Consolidated Venture Trust, 30 Queen Anne's Gate, SW, 9.30. Forward Technology, Brewers Hall, Aldermansbury Square, EC, 12.00. Gibbons & Dandy, Chiltern Hotel, Waller Avenue, B16, B20, 11.00. Broadstone, Room 603 Sablebury House, London Wall, EC, 12.00. Heathrow Castle, Glasgow Hilton Hotel, Williams Street, Glasgow, 11.30.

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Jason Retailer

Glasgow Income Inv.

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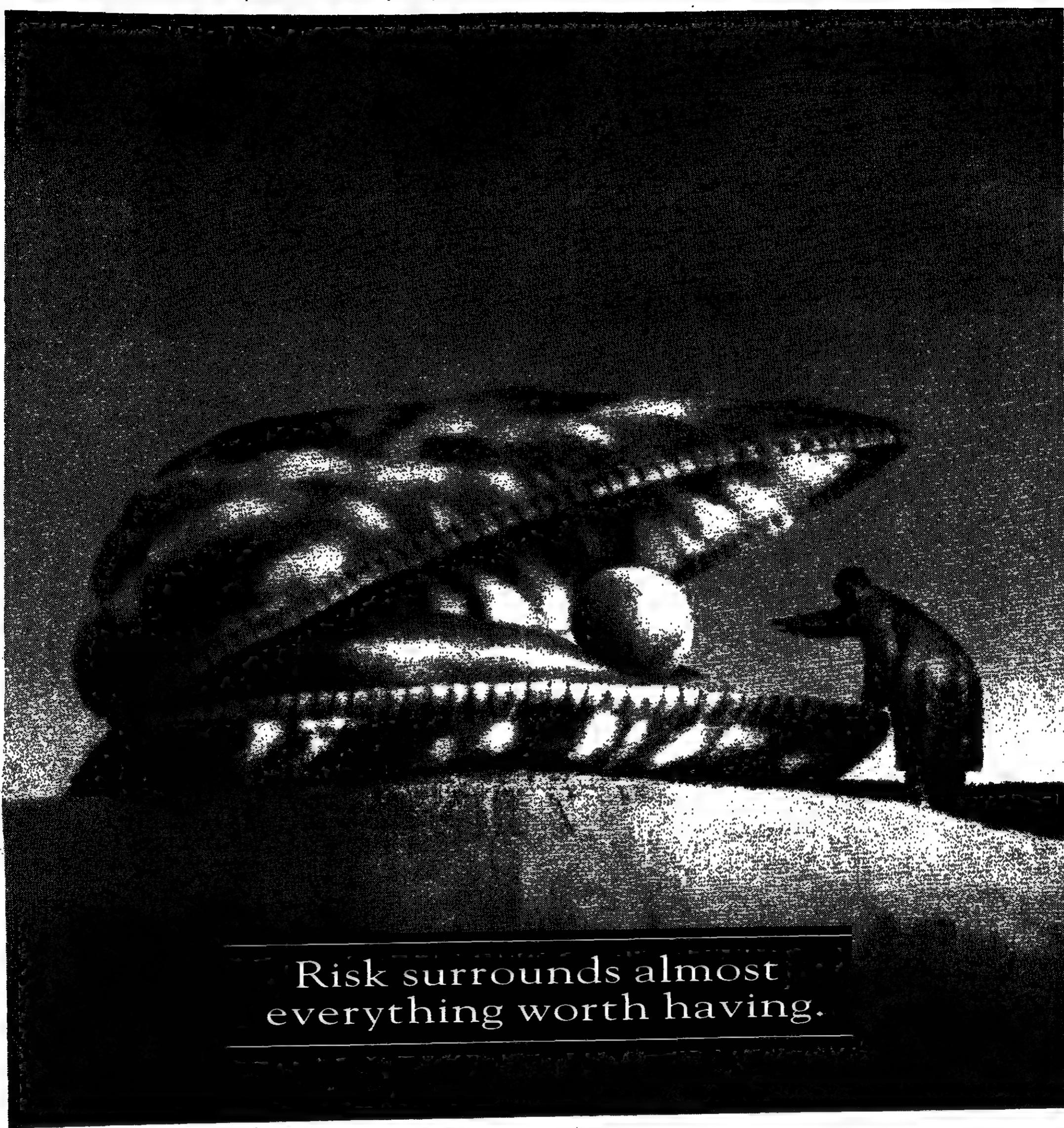
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS
Focus on Denmark

ALTHOUGH pressures inside the Exchange Rate Mechanism have subsided in recent months, close attention will be paid to the Danish krone's moves inside the system this week, writes James Blits.

With only 10 days to go to Denmark's second referendum on European Monetary Union, some dealers will be jittery about the Danish currency. Few can forget that the rejection of the first referendum nearly a year ago was the overture to the autumn currency crisis.

UK clearing bank base lending rate 6 per cent from January 26 1993

There appears to be a better chance of the treaty being ratified by the Danish people this time, although an opinion poll on Friday showed that the number of people voting No in the referendum had increased from 33 per cent to 39 per cent.

The Danish krone therefore starts the week somewhat weaker in the ERM grid, with a divergence of 42 percentage

points against its central Ecu rate. Several opinion polls are due to be released this week and they will be closely watched.

One factor which may support the krone is the D-Mark's weakness against most European currencies, which has been a theme of recent trading.

Barely a week goes by now without the Bundesbank easing some instrument of monetary policy, and there will be a close watch again on Wednesday's rate fix.

There were signs last week that the weakness in the German economy was starting to make itself felt in the dollar/D-Mark exchange rate. Despite a poorer than expected non-farm payroll figure for April, the dollar rose by nearly 1/4 a pfennig on the day.

This week's US indicators may help investors decide what view to take of the US economic upturn. Retail sales figures for April are due out on Thursday. Friday sees the release of industrial production figures for the same month.

E IN NEW YORK

May 7	Close	Previous Close
£/Doll	1.5955	1.5740
1 month	1.5855	1.5820
3 months	1.5711	1.5700
12 months	1.4745	1.4740

Forward premiums and discounts apply to the US

STERLING INDEX

May 7	7	Previous
8.30	8.21	8.21
9.00	8.20	8.20
10.00	8.17	8.17
11.00	8.15	8.15
12.00	8.14	8.14
13.00	8.13	8.13
14.00	8.12	8.12
15.00	8.11	8.11
16.00	8.10	8.10
17.00	8.09	8.09

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CURRENCY MOVEMENTS

May 7	Bank of England	Morgan Guaranty	Change %
Sterling	88.0	88.0	-0.00
US Dollar	93.5	94.0	-0.53
Canadian Dollar	93.5	93.0	-0.53
Austrian Schilling	114.7	115.0	-0.26
Swiss Franc	1.262	1.263	-0.01
Denmark Krone	117.5	119.0	+1.30
US-Yen	124.5	125.0	+0.40
Swiss Franc	1.262	1.263	-0.01
Dutch Guilder	1.210	1.210	-0.00
French Franc	110.1	110.5	+0.36
UK-Pound	1.5955	1.5740	-1.25
US-Yen	124.5	125.0	+0.40
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Swiss Franc	1.262	1.263	-0.01
UK-Pound	1.5955	1.5740	-1.25
Denmark Krone	117.5	119.0	+1.30
US-Yen	124.5	125.0	+0.40
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US-Yen			

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4 pm close May 7

NYSE COMPOSITE PRICES

High Low Stock Dr. Y. E. High Low Open Close
Continued from previous page

	High	Low	Stock	Dr.	Y.	E.	High	Low	Open	Close	Prev. Day	Chg.
- S -												
22 150 S Anta Pl.	1.08	1.07	12	122	172	173	173	173	173	173	173	0
204 29 SPS Techn.	0.28	0.27	14	14	14	14	14	14	14	14	14	0
145 125 Sabre Re.	0.59	0.57	10	10	10	10	10	10	10	10	10	0
124 62 Sabre Re.	0.10	0.09	15	15	15	15	15	15	15	15	15	0
244 145 Sabre Re.	0.38	0.37	15	15	15	15	15	15	15	15	15	0
154 103 Sabre Re.	0.38	0.37	15	15	15	15	15	15	15	15	15	0
212 7 Sabre Re.	1.00	0.98	15	15	15	15	15	15	15	15	15	0
275 31 Sabre Re.	0.20	0.19	15	15	15	15	15	15	15	15	15	0
254 75 Sabre Re.	2.70	2.42	12	12	12	12	12	12	12	12	12	0
95 75 Sabre Re.	4.5	4.5	5	5	5	5	5	5	5	5	5	0
75 75 Sabre Re.	1.20	1.18	11	11	11	11	11	11	11	11	11	0
157 125 Sabre Re.	0.20	0.19	10	10	10	10	10	10	10	10	10	0
254 205 Sabre Re.	0.04	0.03	15	15	15	15	15	15	15	15	15	0
254 205 Sabre Re.	0.38	0.37	15	15	15	15	15	15	15	15	15	0
254 205 Sabre Re.	0.70	0.67	15	15	15	15	15	15	15	15	15	0
254 205 Sabre Re.	0.40	0.37	15	15	15	15	15	15	15	15	15	0
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MONDAY INTERVIEW

Blessed with a bit of luck

Edmond Alphandéry, France's new economy minister, speaks to David Buchan and Alice Rawsthorn

This is take-off week for France's new economy minister. He is a co-pilot of the Balladur government's budget which will be unveiled today, and later he will be flying solo with the draft legislation he has prepared to make the Bank of France independent and to sell off many of France's state-owned companies.

It is a big chance for Edmond Alphandéry, a 49-year-old academic economist-turned-politician, to put his well-honed ideas on money, central banking, savings, taxation and Europe into practice. His much-repeated overall aim is to "re-establish a climate of confidence" in France. A small part of that, however, involves public confidence in the minister himself.

Certainly, Mr Alphandéry seems to have what Napoleon desired for his marshals - a certain amount of personal luck. Perhaps wisely, in 1986 he stayed out of the Chirac government, preferring to write a book from the parliamentary backbenches on the dangers for the centre-right of "cohabiting" with President François Mitterrand.

Six years later, wiser still, he made the opposite calculation. Last December he turned down Mr Mitterrand's suggestion that he go to Brussels as an EC commissioner, banking on the fact that the centre-right would form the next government and gambling on the hope he might get the economy portfolio.

True, this portfolio is no longer the super-ministry which the late Mr Pierre Bérégovoy once ruled over. In particular, prime responsibility for the budget is lost to Mr Nicolas Sarkozy, a long-time Balladur associate. This explains why Mr Alphandéry is "minister of the economy", with "finance" dropped from his title.

Mr Alphandéry is well qualified for the job. Almost over-qualified in the eyes of some of his countrymen who regard as suspect his study of monetarist and free market economics at The University of Chicago and at Berkeley, as well as his later teaching stint at Pittsburgh. "There I learnt the theory of prices which is a superb science in explaining virtually everything that goes on in an economy," he says. "When I came back, I was one of the first French economists to teach price theory to the Anglos."

Therefore, the minister claims that it was quite logical that when the new government came in, promising to "use whatever means necessary to defend the franc", two things should have happened. The franc has strengthened from a



There is no reason to worry about the franc'

rate of FF3.40-41 to the D-Mark in March to below FF3.37 last week, and "I sleep quietly knowing that there is no reason to worry about the franc".

The interest rate on three-month money has also dropped from 10.89 per cent on March 29, the day after the Conservatives' parliamentary victory, to below 8 per cent last week. Of equal consequence to borrowers has been the commercial banks' 0.75 per cent cut in their base rate to 9.25 per cent,

PERSONAL FILE

1943 Born in Avignon.
1966 Graduated from Institut d'Etudes Politiques in Paris and went to The University of Chicago.
1968 Assistant lecturer at University of Paris.
1976 Entered politics in Maine-et-Loire.
1983 Declined offer of ministerial post in cohabitation government.
1983 Appointed economy minister.

"Its lowest level since July 25 1988," Mr Alphandéry claims with pleasure.

But is less than a 1 percentage point cut in banks' lending rate enough to revive France's economy? "Far from it," he says. "The level of our rates is not where it should be. But we have a further margin of manoeuvre and the European Monetary System (EMS) is the amount of state assets it chooses to sell off."

This month's privatisation

effect if they give credibility to the government and confidence to the country". But he claims the government's "second margin for manoeuvre" is the amount of state assets it chooses to sell off.

This month's privatisation bill will broadly follow the lines of a similar operation by conservatives in 1986-87, including reserving chunks of shares for "moyens d'au" shareholder groups. "Rather than have control of a company ratified back and forth on the stock market... it is far better for its management to have a certain number of shareholders of reference, who know the company's strategy and have an interest in it succeeding," says Mr Alphandéry.

Privatisation's pace will depend "on the stock market's absorption capacity... and we will see how things look at the end of the summer break".

But the purchasing power is there, says Mr Alphandéry. The question, rather, is how to get some of the FF1.200bn now in short-term money funds (Sicav) into long-term savings or equities. The recent drop in short-term rates is helping. But the minister also wants to give long-term savers a tax break, of which first signs could come today.

For all his talk of margins of manoeuvre, there are self-imposed constraints the minister positively welcomes. One, of course, is putting France's current low inflation/strong money record into the hands of an independent Bank of France for safe-keeping.

Mr Alphandéry, however, claims the new system which he will unveil on Tuesday will be "very French", differing from the Bundesbank and the US Federal Reserve in being centralised (as distinct from federal) and in leaving the Bank of France's banking

supervision role intact.

He gives no support to persistent rumours that France and Germany will narrow the EMS band within which their currencies move against each other, or that their central banks will take some joint institutional step towards closer co-operation.

"There is plenty already on the table - *il y a du pain sur la planche* - with the European Monetary Institute due to be set up within eight months, and with all that needs to be done to respect the [Maastricht treaty's] convergence criteria."

When he was an opposition economist, Mr Alphandéry admits, he was one of the first to say Maastricht's targets should be "relativised" or softened to reflect harder economic times. Now, as economy minister, he says "we can't go back on these criteria - they are a spur to the necessary discipline" for monetary union.

But the treaty still allows flexible interpretation of the targets, he stresses.

The last wise man speaks out



MICHAEL PROWSE
on
AMERICA

An ounce of emotion is worth a ton of facts. I was told by one of my first editors, it is a lesson that George Kennan seems to have learned well. His idiosyncratic new book, *Around the Cragged Hill: A Personal and Political Philosophy* is delectably outspoken. It combines intensely personal reflections on the human predicament with a searing, yet good-humoured, critique of modern American society.

Mr Kennan, a veteran diplomat and scholar, once earned the sobriquet "America's last wise man." Still best known for his role as a principal architect of the US's post second world war "containment of communism" strategy, he has in his late 80s begun to turn his mind to domestic matters.

He has two suggestions for solving US social woes, both of which are too bold to be taken seriously in Washington.

The first is the division of the US into 12 largely self-governing republics, such as "New England", the "old south", the "northwest" and so on. He argues that the US, along with the former Soviet Union, China, India and Brazil, is a "monster country", ungovernable because it is simply too big and diverse to be run from a single capital city. The states, on the other hand, are mostly too small to become viable independent units.

He claims the false premise in all domestic debates - be it health care, drugs, abortion or whatever - is that any one policy either could or should suit all parts of the continent. Virtual dismemberment is the only long-run solution; it would have the advantage, he says, of allowing southern regions to merge into Latin America if that is what they want. (Actually this idea does have some support: in the Pacific northwest pundits have pondered the feasibility of leaving off a few states and creating a separate country "Cascadia".)

Mr Kennan's other idea is to create a "Council of State" consisting of nine distinguished citizens drawn from any walk of life except politics. They would be appointed by the president but he (or she) would be able to choose only from a panel of 100 people, selected strictly on merit and without political bias. Mr Kennan hopes that such a council, while formally an advisory body, would eventually gain the same kind of clout as the Supreme Court. It would address the great domestic issues of the day, such as the budget deficit and health care, and try to determine what is in the nation's long-term interest.

The great virtue of the council, Mr Kennan argues, is that it would be non-elected. In some measure it would thus compensate for the inadequacies of Congress and the presidency, bodies whose ability to act in the national interest have been fatally undermined by short-term political pressures.

His personal and political philosophy is just as startling. He starts from the premise that man is an irredeemably flawed vessel. His crude innate impulses - especially the desire to prevail over others - are permanently in conflict with morality and the ideals of civilised life. Mortality and the cruel vagaries of chance, meanwhile, create an "inevitable element of tragedy" in every human life.

The only way out is through religious faith. Yet, in common with many others, Mr Kennan has found the concept of an all-powerful God impossible to reconcile with a world of arbitrary suffering. His novel solution is to believe in two

Gods: a Primary Cause who brought the physical world into being and has no interest in our fate; and an entirely separate Merciful Deity, partly within us, to whom we can turn at a time of need. This latter deity has no control over the objective conditions of our lives but, for believers, provides a superhuman reservoir of spiritual strength. Mr Kennan writes movingly of his contact with this deity.

His political philosophy defies conventional categories. He roundly condemns America's "intense commercialism" and fails to see anything desirable in economic growth *per se*. "Would there not be something diseased, something cancerous, something open-ended and unstable, about an economy that had to be constantly growing to be seen as adequate to national needs?" Yet he has no time for left-wing critics of market economics either, largely because their utopian philosophies fail to come to terms with man's flawed nature.

He castigates the lip service paid to egalitarianism, rejecting the claim that heavier taxes on the rich can possibly make anybody else better off. "I find in the liberal treatment of these questions, so much oversimplification, social jealousy and intellectual posturing that I have no choice but to disassociate myself from it." Indeed, he is sufficiently indifferent to fashionable opinion to lament the disappearance of domestic services, inviting the reader to imagine de Tocqueville, or any great writer, washing pants and emptying the trash.

There is a disturbingly elitist and authoritarian undercurrent in much of Mr Kennan's book: at times he does not bother to hide his conviction that most people do not really know what is good for them. Yet there is also a bite and an honesty in his writing that is wonderfully refreshing.

*Published by W W Norton, New York \$22.95.

Lost soul of socialism



IAN DAVISON
on
EUROPE

They say socialism is dead. Such an oversimplification is almost certainly misleading; it may even be wrong. Conservatives utter it as a mindless cry of triumph. But they do not tell us the answer to the next question: does this mean that our democracy will now start to work a little better; or will it in fact work a lot worse?

It is a fact that Marxist dogma and communist practice have both suffered comprehensive intellectual and political defeats in eastern Europe. Moreover, many socialist parties in western Europe have also been struck by a series of disasters in the recent past.

In March, the French Socialist party suffered its greatest electoral defeat in the country's modern history. The impression that France's ageing Socialist president, François Mitterrand, is just the lone relic of a *fin de régime* has been tragically underlined by the suicide of his former Socialist prime minister and ally, Mr Pierre Bérégovoy.

His longstanding rival, Mr Michel Rocard, has now seized control of the Socialist party in the hope that he can arrest, and if possible reverse, its total collapse. Rocard is trying to rebuild the party on entirely new bases, possibly in alliance with other political forces.

In fact, if you exclude the Labour party, most of this cluster of events can be explained simply by the spread of political corruption and dirty tricks. In Italy and France all the main parties of government, not just the Socialists, have been deeply implicated in illegal party-financing skulduggery. It's just that the French

Socialists seem to have done it more systematically than the other parties. In both countries, the voters only rebelled after magistrates exposed systematic law-breaking.

Jean-Marie Guéhenno, who is head of policy planning at the French Foreign Ministry, thinks we should not be surprised by the spread of corruption. In his new book, he argues that political corruption is just one of the logical consequences of global markets, international networking and the information revolution.

Other consequences are the reduction of all other values to money, the overwhelming of national political systems and the disintegration of traditional democratic values. You may not be surprised to learn that his book is called *La Fin de la Démocratie* (published by Flammerton).

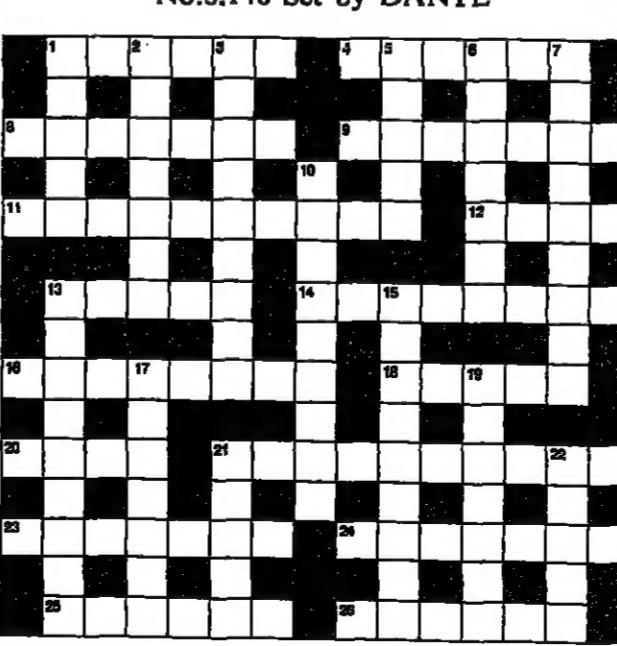
His diagnosis may be too pessimistic. But it is clear that the forces at work in the new international economic environment make it very difficult for any government to follow old-fashioned socialist policies.

Without retreating into Cuban-style isolation and backwardness, France's Socialists tried it in 1981, but by 1983 they discovered they must choose between socialism and the European Community: they chose Europe.

Leaders such as Michel Rocard and Giorgio Benvenuto and, yes, John Smith, face a double challenge - to salvage something plausible from the implicit corpus of socialist ideals, in terms which are consistent with market pricing, and to see if this can be made into a vote-winning platform of government.

CROSSWORD

No.8.146 Set by DANTE



ACROSS

- 1 A kiss in love story, say - a neat ending (8)
- 4 Yank architect honoured (6)
- 5 Clued in a way to take one in (7)
- 9 Turns to see new wives putting on pounds (7)
- 11 Mind the baby - what an original idea! (10)
- 12 Main shareholder? (4)
- 13 Principle of having it both ways? (6)
- 14 Simple or complicated requests (8)
- 16 Account many wrongly tried to sanction (8)
- 18 A supporter of the electricity supply industry (5)
- 20 Rigid forms of worship (4)
- 21 Such love is not common (10)
- 24 One in nine in plot is perplexed (7)
- 25 Turning points in making purchases (6)
- 26 They go downhill fast in cold weather (6)

DOWN

- 1 He may have the lot or about three quarters (5)
- 2 Not like novel writer (7)
- 3 Drew a short article pocketed by accused (8)
- 5 Among the staff we quarrelled (5)
- 6 Book to see actor/composer (7)
- 7 Nobody pays an egg producer around the end of October (9)
- 10 It's not usually held by collectors or clergymen (9)
- 13 Lattered, having recorded attendance of pupils (6,3)
- 15 Two notes not amounting to much (9)
- 17 Still in a terrible fluster (7)
- 19 In France the one indisputable freedom (7)
- 21 Not above using two foreign articles (5)
- 22 Level betting for the first woman to get two points (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 22.

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